Conditions as they now exist, not only here but throughout the entire country, are the culmination of policies political and touch the lives of every man, woman, and child of the Nation. What will be the result? This should concern every thinking man; for a discontented debt-ridden people soon lose that high regard for national welfare and love of country that should be cherished and guarded by the masses, who make the commonwealth.

This letter, Mr. President, should challenge attention. It indicates the impressions of a conservative man. He expressed himself as he felt, and as he deemed the people about him feel.

The question is, What will Congress do to relieve the situation? What will it do of a constructive character to rescue agriculture?

Notwithstanding that action by Congress is of such tremendous importance, I have noted a statement—indicating the impression abroad—appearing in the New York Journal of Commerce on May 11, under a summary entitled "The Washington Situation." It is to the effect that organized agriculture is demanding of Congress that it enact constructive farm legislation before adjournment, and the article closes with this:

Congress will not do so.

I consider this a challenge to Congress to repudiate this charge. I do not yet believe that the Members of the Senate or of the House have so little regard for the welfare of a third of the population of this country as to adjourn without attempting to do something to relieve the distressing situation in which agriculture is now placed, or to remedy the inequality in economic conditions and opportunities from which agriculture is suffering.

The statement in the Journal of Commerce misrepresents the situation in that it charges that the American Farm Bureau Federation, the National Grange, and the Farmers' Union "can not agree upon a single measure," and that each is demanding a separate proposal, although willing that all three be enacted. The fact is these three organizations have definitely agreed upon a joint program; they have presented a composite bill embodying their recommendations to both Agricultural Committees of the Senate and House.

The bill referred to is now before the Committee on Agriculture and Forestry, but we have no report as yet. I understand that hearings began this morning upon that and other measures before the committee. But what we must have is a report and a bill or bills upon the calendar of the Senate so that action may be had.

Can it be possible that it is in the minds of some that there shall be no agricultural legislation at this session? It has been asserted here on the floor that official Washington is against any kind of agricultural legislation.

Mr. President, as I have asked before time and again on this floor, What are we to say to the farmer if we adjourn without action? There is but one thing we can say, and that is that there has not been the will in Congress to act in behalf of agriculture in a constructive way.

Mr. President, agriculture must be rescued.

REVENUE AND TAXATION

The PRESIDING OFFICER. The Chair hears no objection to the request of the senior Senator from Utah [Mr. SMOOT], and lays before the Senate the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes.

RECESS

Mr. McNARY. I move that the Senate take a recess until to-morrow at 12 o'clock.

The motion was agreed to; and the Senate (at 5 o'clock p. m.) took a recess until to-morrow, Friday, May 13, 1932, at 12 o'clock meridian.

SENATE

FRIDAY, MAY 13, 1932

(Legislative day of Monday, May 9, 1932)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The PRESIDENT pro tempore (Mr. MOSES). The Senate will receive a message from the President of the United States.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Several messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries, who also announced that the President had approved and signed the following acts:

On May 9, 1932:

S. 3908. An act to amend the act entitled "An act to regulate navigation on the Great Lakes and their connecting and tributary waters," approved February 8, 1895.

On May 11, 1932:

S. 283. An act to provide for conveyance of a certain strip of land on Fenwick Island, Sussex County, State of Delaware, for roadway purposes.

CALL OF THE ROLL

Mr. SMOOT obtained the floor.

Mr. FESS. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Coolidge	Hull	Robinson, Ark.
Austin	Copeland	Johnson	Robinson, Ind.
Bailey	Costigan	Jones	Sheppard
Bankhead	Couzens	Kean	Smith
Barbour	Dale	Kendrick	Smoot
Barkley	Davis	Keyes	Stephens
Bingham	Dickinson	La Follette	Thomas, Idaho
Black	Dill	Logan	Thomas, Okla.
Blaine	Fess	McGill	Townsend
Borah	Fletcher	McKellar	Trammell
Bratton	Frazier	McNary	Tydings
Bulkley	George	Metcalf	Vandenberg
Bulow	Glass	Moses	Walcott
Byrnes	Goldsborough	Norris	Walsh, Mass.
Capper	Hale	Nye	Walsh, Mont.
Caraway	Harrison	Oddie	Watson
Carey	Hayden	Patterson	Wheeler
Cohen	Hebert	Pittman	
Connally	Howell	Reed	

The PRESIDENT pro tempore. Seventy-four Senators having answered to their names, a quorum is present.

INTERNATIONAL COLONIAL AND OVERSEAS EXPOSITION AT PARIS (S. DOC. NO. 94)

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States, which was read, and, with the accompanying report, referred to the Committee on Foreign Relations and ordered to be printed, as follows:

To the Congress of the United States:

I am forwarding, for the consideration of the Congress, a report of April 30, 1932, from the Acting Secretary of State transmitting the following documents in connection with the participation of this Government in an exposition which was held at Paris, France, in 1931, the preparation for and activities in connection with such participation having extended from 1930 to 1932:

I. Report of the commissioner general and the commissioner of the United States of America to the International Colonial and Overseas Exposition.

II. Financial statement of appropriations and expenditures in connection with the same.

III. Covering letter of April 30, 1932, from the commissioner general to the Secretary of State, accompanying the financial statement.

HERBERT HOOVER.

THE WHITE HOUSE, *May 13, 1932.*

(Accompaniments: As listed.)

ISSUANCE OF BONDS BY ST. THOMAS HARBOR BOARD

The PRESIDENT pro tempore laid before the Senate the amendment of the House of Representatives to the bill (S. 4193) to authorize the issuance of bonds by the St. Thomas Harbor Board, Virgin Islands, for the acquisition or construction of a graving or dry dock, which was, on page 2, line 3, after the word "payable," to insert "from the treasury of said board."

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Mr. BINGHAM. I move that the Senate concur in the House amendment.

The motion was agreed to.

CHANGE IN NAME OF THE ISLAND OF PORTO RICO

The PRESIDENT pro tempore laid before the Senate the amendment of the House of Representatives to the joint resolution (S. J. Res. 36) to change the name of the island of "Porto Rico" to "Puerto Rico," which was to strike out the preamble.

Mr. BINGHAM. I move that the Senate concur in the House amendment.

The motion was agreed to.

PETITIONS AND MEMORIALS

The PRESIDENT pro tempore laid before the Senate a resolution of Victory Post, No. 4, American Legion, Department of the District of Columbia, opposing "any effort by Congress to place upon Federal employees the burden of economy, necessitated by an era of false inflation, from which such employees derived no profit," and also opposing any discrimination against the employment of married men and women in the Government service, which was referred to the Committee on Appropriations.

Mr. BLAINE presented a memorial of sundry citizens of Clark County, Wis., remonstrating against the passage of legislation providing for the closing of barber shops on Sunday in the District of Columbia or other restrictive religious measures, which was referred to the Committee on the District of Columbia.

Mr. DILL presented the petition of Miss Margaret Drisko and sundry other citizens of Seattle, Wash., praying for the passage of Senate bill 4436, to amend the tariff act of 1930, etc., relating to birth-control information, which was referred to the Committee on the Judiciary.

Mr. ROBINSON of Arkansas presented telegrams and letters in the nature of memorials from Tom Biggers, president Bank of Pocahontas, of Pocahontas; the Bank of Truman, of Truman; the Bank of Gould, of Gould; R. E. Lee Wilson, of Wilson; the Bank of Marvel, of Marvel; the Cotton Belt Bank & Trust Co., of Pine Bluff; B. L. Ross, of Helena; Mack Hall, of Heavener; A. T. Barlow, of Booneville; the Citizens State Bank, of Lebanon; H. M. Stephens, of Blevins; Fred C. Embry, of Mena; John Brunner, of Marked Tree; Carl Hollis, of Warren; Washington County Bankers Association, Fayetteville; E. C. Bellamy and F. M. Daniel, both of Mammoth Spring; and J. A. Wright, Ed. C. Wilken, A. J. Barrett, M. L. Page, V. A. Rogers, F. J. Kocourek, John T. McNeil, and Alvin Harris, of Hazen, all in the State of Arkansas; and Joseph S. Hyde, of Salt Lake City, Utah, remonstrating against the imposition of a 2-cent tax on bank checks in the pending revenue bill, which were ordered to lie on the table.

Mr. ASHURST presented a telegram in the nature of a memorial from the Tucson (Ariz.) Chapter, Daughters of the American Revolution, Clara F. Roberts, regent, and Edna Amos, treasurer, remonstrating against curtailment of appropriations for the Navy, which was referred to the Committee on Appropriations.

He also presented the memorial of Robert Douglas and sundry other citizens of Tucson, Ariz., remonstrating against reduction in the compensation of Federal employees, which was referred to the Committee on Appropriations.

He also presented a letter in the nature of a memorial from Local No. 194, Federal Employees' Union, of Naco, Ariz., remonstrating against reduction in the compensation of Federal employees and the proposal for compulsory retirement for age, etc., which was referred to the Committee on Appropriations.

He also presented a letter in the nature of a memorial from the Committee of Fifty, signed by Walter P. Taylor, fifth vice president, National Federation of Federal Employees, of Tucson, Ariz., remonstrating against provisions of the so-called House economy bill affecting the pay, etc., of Federal employees, which was referred to the Committee on Appropriations.

Mr. GOLDSBOROUGH presented letters in the nature of memorials from Local No. 147, National Federation of Federal Employees, and sundry citizens of Baltimore, Md., and of Brooklyn, N. Y., remonstrating against reductions in the compensation of Federal employees, which were referred to the Committee on Appropriations.

He also presented letters in the nature of petitions of sundry citizens of the State of Maryland, praying for inclusion of the manufacturers' sales tax in the pending tax bill, which were ordered to lie on the table.

He also presented several letters and telegrams in the nature of memorials from several business firms and sundry citizens of Baltimore, Md., remonstrating against the imposition of a tax of 5 cents per pound on imported crude rubber, which were ordered to lie on the table.

He also presented a telegram in the nature of a petition from Martin J. Barry, president National Tire Dealers' Association, of Baltimore, Md., praying for the imposition of a duty of 5 cents per pound on imported crude rubber, which was ordered to lie on the table.

He also presented telegrams in the nature of memorials from several publishing companies in the State of Maryland, remonstrating against an increase in second-class postage rates, which were ordered to lie on the table.

He also presented letters in the nature of memorials from several citizens of Hagerstown, Md., remonstrating against the imposition of an automobile sales tax, which were ordered to lie on the table.

He also presented letters and a telegram in the nature of memorials from sundry citizens and banking institutions, all in the State of Maryland, remonstrating against the imposition of a 2-cent tax on bank checks, which were ordered to lie on the table.

Mr. COPELAND presented a resolution adopted by Corning Division, No. 244, Brotherhood of Locomotive Engineers, of Corning, N. Y., favoring Federal regulation of interstate bus and truck traffic, which were referred to the Committee on Interstate Commerce.

He also presented a memorial of sundry citizens of Oneonta, N. Y., remonstrating against the proposed abolishment of the Panama Railroad Steamship Line, which was referred to the Committee on Interoceanic Canals.

He also presented a resolution adopted by the American Water Works Association at its recent convention in Memphis, Tenn., favoring Federal aid in the construction of necessary waterworks by providing for loans to solvent waterworks systems, which was referred to the Committee on Commerce.

He also presented the petition of members of the Birth Control League, of New York City, praying the passage of Senate bill 4436, to amend the tariff act of 1930, etc., relating to birth-control information, which was referred to the Committee on the Judiciary.

He also presented a resolution adopted by Local Union No. 79, Brotherhood of Painters, Decorators, and Paperhangers of America, of Denver, Colo., protesting against the continued imprisonment of Thomas Mooney in California, which was referred to the Committee on the Judiciary.

He also presented a petition of sundry citizens of the United States indorsing the petition of the National Economy Committee of New York City, favoring the elimination and repeal of legislation providing for expenditures to veterans of wars who suffered no disability in war service, which was referred to the Committee on Finance.

He also presented a memorial of sundry citizens of Chester, N. Y., remonstrating against the enactment of legislation for bonus or pension purposes, which was referred to the Committee on Finance.

He also presented a resolution of World War veterans of Erie County, Pa., adopted in mass meeting, favoring immediate payment of World War adjusted-compensation certificates (bonus), which was referred to the Committee on Finance.

He also presented a resolution adopted in Washington, D. C., by the American Institute of Architects relative to the

employment by the proposed administrator of public works of outside professional or technical service in certain cases for architectural and engineering designing and planning of Federal buildings, and favoring the standardization of contract procedure and specifications, which was referred to the Committee on Appropriations.

He also presented a memorial of clerical employees of the United States attorney's office, eastern district of New York, remonstrating against reduction in the compensation of Federal employees, which was referred to the Committee on Appropriations.

He also presented petitions of the Northern Federation of Chambers of Commerce, Potsdam, N. Y., and of citizens of Rochester and New York City, praying for substantial reductions in governmental expenditures with a view to the balancing of the Budget, which were referred to the Committee on Appropriations.

He also presented a resolution of the National Cigar Box Manufacturers' Association, of Philadelphia, Pa., favoring an amendment of the Volstead Act to legalize the manufacture and sale of beer and light wines, and to tax the same, which was referred to the Committee on the Judiciary.

He also presented a memorial of citizens of Barker, N. Y., remonstrating against the passage of Senate bill 4080 to regulate the manufacture and sale of stamped envelopes, which was ordered to lie on the table.

He also presented a petition of employees of the Erie Railroad, of Nyack, N. Y., praying for the enactment of legislation providing for the establishment of a pension system for railroad and transportation employees, which was ordered to lie on the table.

He also presented a resolution adopted by the Socialist Party of Rockland County, N. Y., protesting against the adoption of a manufacturers' sales tax, either general or specific, which was ordered to lie on the table.

He also presented a resolution adopted at an executive board meeting of the associated General Contractors of America at Washington, D. C., favoring the enactment of legislation appropriating $132,000,000 for Federal aid in highway construction, which was ordered to lie on the table.

He also presented a petition of sundry citizens of Chappaqua, N. Y., praying for the passage of the so-called Federal relief bill for unemployment, which was ordered to lie on the table.

Mr. BARBOUR presented resolutions adopted by the Republican Club of Nutley, N. J., favoring the prompt passage of legislation known as the home loan bank bill, which were referred to the Committee on Banking and Currency.

He also presented a petition signed by Miss Sera Jeanne Arnold, president, and members of the Women's Society, Church of the Messiah, of Paterson, N. J., praying for the affording of protection to the reindeer herds in Alaska, which was referred to the Committee on Territories and Insular Affairs.

He also presented resolutions adopted by the Pretty Brook Tennis Club, of Princeton, N. J., favoring the balancing of the Budget and retrenchment in governmental expenditures, which were referred to the Committee on Appropriations.

He also presented memorials of Manalapan Grange, No. 190, of Englishtown; Moorestown Grange, No. 8, of Moorestown; and Wrightstown Grange, No. 147, of Wrightstown, all of the Patrons of Husbandry, in the State of New Jersey, remonstrating against the imposition of taxes on the automobile industry, which were ordered to lie on the table.

He also presented a resolution adopted by the Board of Education of Ridgewood, N. J., protesting against the passage of the so-called Oddie bill, being the bill (S. 4080) to regulate the manufacture and sale of stamped envelopes, which was ordered to lie on the table.

REPEAL OF THE EIGHTEENTH AMENDMENT

Mr. BARBOUR presented a telegram from William C. Fay, commander Department of New Jersey, Veterans of Foreign Wars, of West Englewood, N. J., which was referred to the Committee on the Judiciary and ordered to be printed in the RECORD, as follows:

WEST ENGLEWOOD, N. J., *May 12, 1932.*

United States Senator W. WARREN BARBOUR,
Washington, D. C.:

The tragic Lindbergh episode emphasizes the inability of organized government to combat enthroned viciousness. Let us have the courage to repeal the eighteenth amendment and restore respect for law and order.

WILLIAM C. FAY,
Commander Department of New Jersey,
Veterans of Foreign Wars.

DISABILITY ALLOWANCE TO WORLD WAR VETERANS

Mr. ROBINSON of Indiana. Mr. President, much propaganda is now making the rounds against former service men of various branches of the service, those who have worn the uniform. Most of this propaganda is unfair, a great deal of it vicious and entirely untrue. I shall have more to say on this question before the session adjourns. At present I shall content myself with simply submitting a statement in defense, to some degree, of the soldiers' attitude and the soldiers' position, prepared by Howard R. Hooper, of Indianapolis, Ind., which I ask may be incorporated in the RECORD at this point.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The statement is as follows:

THE DISABILITY ALLOWANCE TO WORLD WAR VETERANS

In 1930 the Seventy-first Congress passed and the President signed an amendment to the World War veterans' act. This amendment granted to veterans of the World War who had served 90 days or more and were honorably discharged from the military service and were suffering with at the time of the passage of the bill and any time thereafter a permanent disability of 25 per cent or more, and which was not due to his willful misconduct, a disability allowance of $12 per month as a minimum, and of $40 per month as maximum amount.

The purpose or object of this amendment was not simply to pay a disability allowance or service pension to men suffering solely from disabilities acquired after they were discharged from the military service, but to compensate veterans who rendered to their country honest and faithful service during the World War, and acquired while rendering such services injuries and ailments that they can not connect with their military service.

Under the rules or laws of the Veterans' Bureau, and according to opinions of the Comptroller General, which rules and opinions are based on the World War veterans' act and amendments thereto, in order for a veteran to be entitled to disability compensation prior to enactment of the above law the veteran must prove that his disability occurred in the military service or was aggravated by his military service.

The method of making this proof was as follows:

A record of the injury or ailment on his service record or military medical history; affidavits of comrades to the effect that he was injured in the service or ill, giving time and place; an affidavit from the veteran stating the kind of illness or injury, the time and place, and what hospital, if any, he was sent to while in the service, and the name or names of the Army doctor or doctors who treated him. Affidavits from doctor or doctors who treated him within two years after he was discharged from the service, giving his or their diagnosis, prognosis, physical and laboratory findings, and that in his or their (the physician or physicians) opinion the injury or ailment is traceable to veteran's military service, and that it disabled the veteran 10 per cent or more.

The cases are legion in which there was no record made of the veteran's illness or injury while in the service. Due to the hurry and bustle in the cantonments, training camps, embarkation camps, on the transports, and in the camps, billets, and trenches in France no record was made or kept of these injuries or ailments.

In other cases the veteran was unable to locate comrades who knew of his military disability, hence he was unable to furnish affidavits from them as to his military disability. In other cases he could not remember the name of the Army doctor who treated him nor the hospital or its location where he was sent for treatment.

In still other cases the physician who treated him within two years after he was discharged from the military service had no record of his diagnosis and prognosis, and no record of his physical or laboratory findings, if he made any, hence he had nothing in his files on which he could predicate a statement or affidavit that the veteran's disability was traceable to his military service and that it disabled him 10 per cent or more.

It was to remedy this unfortunate circumstance that Congress passed the law granting a disability allowance to World War veterans. The Congress took the position that it was better that 99 unworthy claims for compensation be allowed than 1 worthy claim be disallowed due to the fact that the veteran could not comply with the law relative to making proof that his disability was service connected.

HOWARD R. HOOPER,
Former Sergeant B Company,
Three Hundred and Seventy-first Infantry.

STABILIZATION AND CONTROL OF MONETARY SYSTEM

Mr. CAPPER. Mr. President, in the May 6 issue of the Detroit News there was an able editorial which I believe should be read and considered carefully by every Senator; in fact it would be a healthy thing if every American citizen would read and consider it.

The views it expresses are much in accord with my own sentiments in regard to the need for stabilization and control of our monetary system in the public interest. I do not propose to discuss that subject myself at this time, but I do ask permission to print the editorial from the Detroit News in the RECORD as a part of my remarks.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The editorial is as follows:

[From the Detroit News, May 6, 1932]

NOW WE ARE FACING THE FACTS

We venture to predict that when the history of the great depression comes to be written, May 2, 1932, the date on which the Goldsborough bill providing for a radical but governed inflation of the currency was presented to and passed by the House of Representatives, will be underscored as important in spite of President Hoover's scornful comment thereon. Its significance may not be due to the passage of the bill, as to the merits of which there are two and probably three opinions, but the report in which the Committee on Banking and Currency submitted it to the House is a landmark in official discussion of an economic stagnation.

Here is the arrestingly direct and lucid way in which the committee gives the first official recognition to the most menacing problem this Nation has to solve, the problem on whose solution the future of the Nation depends:

"All authorities agree, first, that it is impossible for the debts of the country to be paid at the present price level, and that unless the price level is raised the business of the country is headed for inevitable bankruptcy, and, second, that the present price level is unjust to debtors."

The truth of the statements which the report so boldly makes has been widely apparent for many months and will not surprise anyone who has been following the course of events—as who has not? It is not, then, the matter which is remarkable, but the fact that a governmental body gives it utterance, and that fact, far from disquieting the American public mind, should breed a new confidence and optimism, born of the knowledge that at last Washington is looking conditions squarely in the face and is no longer unready to deal with them.

"The psychological effect of debt, both upon individuals and nations, is disastrous," said Senator KING not long ago. "It often results in individual despair and national disturbances." It is conservatively estimated that to-day debts in the United States amount to over $150,000,000,000, of which nearly a third are governmental. All but a negligible portion of these debts were incurred when money was easy, prices high, and business booming. Now, with money tight, commodity, security, and property values constantly hitting new lows, and business and industry crippled, it is plain, as the committee says, "that it is impossible for the debts of the country to be paid." The hopeless burden which they impose is paralyzing individual initiative and breaking down the financial and industrial structure of the country. The restoration of the former balance between debts and values is the remedy.

The fact that it should have been left for a House committee to formulate the first official statement of the gravity of the situation requires an explanation. In the first place, the administration and Congress have been intent on strengthening the parts of the financial organization which bore the brunt of the collapse, and this they have well done by means of such measures as the Reconstruction Finance Corporation and the Glass-Steagall bill. In the second place, both the executive and legislative branches of the Government depend for financial counsel on the able officials of the Treasury Department and of the reserve banking system, who quite naturally are imbued with the banker or creditor viewpoint. This viewpoint is that the monetary system is in the particular charge of the Federal reserve system, and that to seek causes for general business depression in some fault in that system is merely to beg the question. Under these circumstances there is small cause for wonder that many difficulties had to be dealt with before the key log in the economic jam could be tackled.

But now that the problem has been frankly stated and a determination expressed to deal with it, there is better ground for intelligent hope for its adequate solution than at any time in the last two years. That does not mean that the authors of the Goldsborough bill, among whom Prof. Irving Fisher, of Yale University, is said to be the leader, have hit upon the best or even a practical answer, but it does mean that some of our leaders now see clearly the target toward which they must aim. That is our most substantial gain to date, and we must trust to sound American sense and the sound American political system to produce a bolt and a marksman that will hit the bull's-eye in the middle. When that bolt rings the bell it will sound the knell for the most menacing phase of any depression.

An intensive study of the major depressions or panics through which this country has passed since its birth reveals the significant fact that each of these depressions or panics has served to gather a greater and still greater proportion of the national wealth into the hands of a smaller and ever smaller group of our citizens. The citizen who, previous to one of these depressions, assumed an obligation which he then could pay with 100 days' labor found after the depression had set in he could pay it only with 200 or 300 or 400 days' labor. Naturally, then, wholesale foreclosures followed, and another army of property owners became citizens without property.

The process is a menace to the safety of our country. A fool should perceive that. And the danger is enhanced by the demonstrable fact that each of our major depressions has carried down a constantly growing proportion of our people. How many more depressions it will take to reach the breaking point no man can say. It may be a good many. But that is beside the point. When we absolutely know the rapids are below us it is the part of ordinary wisdom to take steps before the boat is carried into them.

We would not be understood as having lost faith in our Federal reserve system. That has done grand work for the Nation. It has shown us that it can control and check a minor depression which, under the old system, probably would have developed into a major depression. Which encourages us to believe that the able men at the head of the Federal reserve, when asked by Congress to concentrate upon the subject with full knowledge and belief that the fate of the Nation is at stake, can devise a workable method of controlling a major depression also; can make a reasonable balance between debts and values secure.

And when that is done you can trust the American people to reap for themselves that wider dissemination of property which, with our liberties, forms the keystone of our national security and safety.

TAXING DISPATCHES AND SECOND-CLASS MAIL

Mr. KEAN. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the Newark Evening News advocating an increased tax on second-class mail matter.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The editorial is as follows:

TAXING DISPATCHES AND SECOND-CLASS MAIL

In its search for new revenue the Senate Finance Committee favors higher second-class mail rates and proposes fresh taxes on the transmission of news, such as leased wires, telegrams, telephone messages, cablegrams, and radiograms.

The attitude of this newspaper toward increased postal rates was stated some time ago. In July, 1929, when President Hoover advocated making the Post Office Department pay its own way, the News said:

"It is said that if the President were to carry out his idea of regarding the post office as a business institution, with the cost of each class of service borne by those who receive the benefits, he would incur the opposition of every newspaper and magazine in the country. This newspaper would not object. It knows no reason why the public should be taxed to pay its postage bills, any more than its telephone, telegraph, and cable bills."

The Senate Finance Committee has voted to go back to the schedule of second-class postal rates of 1921. Postmaster General Brown advocates the more reasonable rates of 1925, which he estimates would bring in about the same additional revenue. The Post Office Department should know better than anyone else. The Post Office Department faces a deficit. If it is convinced that one way to meet this deficit is by increasing the second-class rates, its wisdom should be deferred to and the newspapers and magazines should bear the cost of the service furnished them.

With an institution that relies so much on instantaneous transmission of the news as the newspapers, the transmission taxes would be a heavy item. The newspapers are no more anxious to take this tax than gas consumers want to bear the burden of additional taxes on gasoline or any other business to bear the burden on what affects it directly. But the same rule applies here as to all other taxes. If Washington can demonstrate that the proposed transmission taxes are equitable, they come under the head of things that must be done. There can be no enthusiasm about it, because it would put a heavy burden on a product that is sold very cheaply. Still the tax problem can not be solved if everyone is to plead inability to stand the gaff. The newspapers and the magazines must carry their share of the load.

FEDERAL AID TO CITIES

Mr. VANDENBERG presented resolutions adopted by the Common Council of the city of Detroit, Mich., which were referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

Resolution adopted by the Common Council of the city of Detroit, May 10, 1932

By Councilman Castator

Whereas the city of Detroit will from time to time during the next fiscal year find it necessary to borrow money against uncollected general city taxes or its revenue appropriations for the

purpose of meeting its current requirements and maintaining its governmental functions; and

Whereas the city plans to refund bonds or other obligations in connection with its next year's fiscal program and has also been given authority by act of the legislature passed at the special session just closed to issue additional emergency bonds; and

Whereas the banks of Detroit have loaned to the city the amount of their legal requirements and it has been necessary from time to time for the city to negotiate with New York banks and private industries for its financial accommodations, but there is not assurance that said sources of loans will be available when further money is required; and

Whereas present economic conditions may continue for a considerable period and it may become necessary for the city of Detroit to find new sources from which it may borrow money on its faith and credit obligations to meet the above requirements; and

Whereas the United States Congress has enacted legislation enabling the Government to aid in financing agriculture, commerce, and industry including extension of credits to railroads, banks, trust companies, insurance companies, and other financial institutions, and similar relief is now under consideration by President Hoover so as to empower the Reconstruction Finance Corporation to extend credit to municipalities of the country, either for public welfare relief or such other purposes as would be provided by law, by the purchase of notes, debentures, bonds, or other faith and credit obligations of cities, the effect of which legislation would be to improve the municipal bond market, reduce the rates of interest which municipalities may have to pay and stabilize municipal investments now outstanding in the hands of the public and to provide for the public emergency which cities throughout the country are confronted with: Therefore be it

Resolved, That the two Senators from the State of Michigan and the Representatives from the city of Detroit be respectfully requested to urge an amendment to the congressional act incorporating the Reconstruction Finance Corporation or such other legislation as may be finally determined advisable to permit such corporation to invest its assets in notes, debentures, bonds, or other faith and credit obligations of cities in such amounts and for such public welfare or other necessary purposes as may be provided by such amendment, and that such Senators and Representatives use their best efforts in having said legislation passed and enacted as expeditiously as possible; and be it further

Resolved, That the city clerk be requested to forward a copy of this resolution to Senator JAMES COUZENS, Senator ARTHUR H. VANDENBERG, Representative CLARENCE J. MCLEOD, Representative ROBERT H. CLANCY, Representative SEYMOUR H. PERSON, and Representative EARL C. MICHENER; and be it further

Resolved, That the president of the common council be, and he is hereby, requested to appoint a committee consisting of two members of the common council, including the president, the corporation counsel, and the controller to confer with said Senators, Representatives, and other persons in authority for the purpose of carrying this resolution.

Adopted as follows:

Yeas: Councilmen Castator, Hall, Jeffries, Lindsay, Lodge, Smith, Van Antwerp, and the president—8.

Nays: None.

RECONSIDERATION

Councilman Castator moved to reconsider the vote by which the resolution was adopted.

Councilman Lodge moved to suspend rule 23 for the purpose of indefinitely postponing the motion to reconsider, which motion prevailed, as follows:

Adopted as follows:

Yeas: Councilmen Castator, Hall, Jeffries, Lindsay, Lodge, Smith, Van Antwerp, and the president—8.

Nays: None.

Councilman Lindsay then moved that the motion to reconsider be indefinitely postponed, which motion prevailed.

The regular order was resumed.

ADMISSIONS TAX—EXEMPTION ON THEATER TICKETS

Mr. BULKLEY. Mr. President, I present numerous petitions signed by nearly 9,000 citizens of Cleveland, Ohio, praying for a 46-cent exemption on theater admission tickets.

The PRESIDENT pro tempore. The petitions will be received and lie on the table.

THE OHIO PRIMARY ELECTION—PROHIBITION

Mr. BULKLEY. Mr. President, at the primary election held in Ohio this week the voters of that State spoke in no uncertain terms on the question of prohibition. I do not want to detain the Senate with a discussion of that subject at this time, but I ask to have incorporated at this point in the RECORD, as part of my remarks, a summary of the vote from the Cleveland Plain Dealer; also editorial opinions from the Cleveland Plain Dealer, the Cincinnati Enquirer, the Ohio State Journal, of Columbus, the Columbus Dispatch, the Akron Beacon-Journal, the Dayton News, and the Scripps-Howard newspapers of Ohio.

There being no objection, the articles referred to were ordered to be printed in the RECORD as follows:

[From the Cleveland Plain Dealer]

Antiprohibition candidates on both Republican and Democratic tickets were swept to victory in yesterday's primaries by majorities undreamed of in Ohio, birthplace and "cradle" of the Anti-Saloon League and battle ground which witnessed that organization's major triumphs in the last two decades.

Not one candidate for an important State office indorsed by the dry organization survived; this includes governorship, senatorship, and Congressman at large.

That the result of yesterday's primary election will be interpreted as a mandate to both national conventions to write liberal planks into their platforms is by no means unlikely. The voice raised in such certain terms by this pivotal State is not likely to go unheeded.

BETTMAN'S LEAD 52,000

The extent of the antiprohibitionist triumph is best gaged by the annihilating defeat administered by Attorney General Gilbert Bettman to Louis J. Taber, national master of the Grange, in the Republican senatorial contest.

Returns from 8,618 precincts out of a total of 8,701, as compiled by the Associated Press, gave Bettman a lead of 52,322.

In this contest prohibition was singled out as almost the sole issue. Anti-Saloon League leaders and employees went solidly back of the Taber candidacy with one of the old-time appeals to Protestant clergymen to organize their forces and "fight to the death."

Yet out of 557,230 votes cast in these precincts in the senatorial fight, only 198,192 went to the one dry candidate; the others were distributed among Bettman, Mayor Jacob S. Coxey, of Massillon, and Charles A. Bracher, of Dayton (both classed as liberals), and Mrs. Elizabeth C. T. Miller, of Cleveland, who also was not sanctified by Anti-Saloon League approval.

In a somewhat less striking degree, the story of the antiprohibitionist victory was written into the gubernatorial primary contests in both parties.

DOOMED BY "SATISFACTORY"

David S. Ingalls, of Cleveland, striking young Navy World War ace and now Assistant Secretary of the Navy for Aeronautics, zoomed into a spectacular victory over two powerful opponents and veterans of many a political battlefield, Secretary of State Clarence J. Brown and former Gov. Myers Y. Cooper.

Ingalls, taking off on his first state-wide political flight in Ohio, piloted his craft against prohibition evils and held to his course.

Brown and Cooper were, it turned out, grounded by Anti-Saloon League officials, who pronounced against them their verdict of "satisfactory."

In 8,645 precincts tabulated by the Associated Press Ingalls had a lead of 27,852 over Brown, his nearest competitor, and a lead of 57,480 over Cooper, in whose behalf three clergymen sent out letters urging that he be nominated.

A third liberal candidate, Charles C. B. Beatty, pottery salesman of East Liverpool, wholly lacking in organization support, polled 12,168 votes.

Republican voters selected Assistant Attorney General Thomas J. Herbert and former State Senator George H. Bender, both of Cleveland.

In this contest, with seven in the field, there was only one candidate indorsed by the Anti-Saloon League, Rev. B. F. Reading, of Toledo.

In 8,502 precincts tabulated by the Associated Press Reverend Mr. Reading ran 36,060 votes behind Bender, who led the ticket and who, as a militant enemy of the league, was instrumental in bringing about the referendum on the Marshall bill, aimed at restoration of commercialized justice fine and fee splitting courts after they had been outlawed by the United States Supreme Court.

Reverend Mr. Reading ran fourth. Out of 751,668 votes cast in this contest he received only 113,229 votes, the rest going to his liberal opponents.

The Democratic contest for congressman at large was not far different. Of the 11 candidates the league indorsed only 1, Charles E. Lukens, of Marion, and he ran ninth in the precincts so far tabulated, or 69,539 behind the leader, Stephen M. Young, of Cleveland, and 53,155 behind former Director of Agriculture Charles V. Truax, who won second place on the ticket.

LIBERALS IN STATE HOUSE RACE

Thus Ohio made its voice heard—the election fight for the governorship will be between two liberals, Governor White and Ingalls; Bettman, antiprohibitionist, will be opposed by Senator ROBERT J. BULKLEY, of Cleveland, who was elected two years ago against the dry former Senator Roscoe C. McCulloch on a platform demanding modification and repeal, and two liberal Republican candidates for congressman at large will battle it out with two equally liberal Democratic opponents.

Plain Dealer, Cleveland (independent Democrat):

"We do not know to what degree the political eye of the Nation was on Ohio Tuesday. But if the national political sharps are looking our way they will find several interesting things to set down in their little books.

"'Ohio in this primary gives the message to the Nation,' said the appeal which leaders in three churches sent to their pastors just before the primary, urging the nomination of Louis J. Taber for Senator on the Republican ticket, and seeking to switch dry votes from Clarence J. Brown to Myers Y. Cooper in the Republican gubernatorial primary.

"That message is now more than plain. Ohio is no longer a dry State.

"The leading strings of the Anti-Saloon League, so powerful in the days of the late Wayne B. Wheeler, now pull candidates to defeat. Those 'unsatisfactory' to the league did better on the average than those thrice-blessed at Westerville.

"The extraordinary achievement of David S. Ingalls was greatly helped by the political blunder of those dry leaders who thought an eleventh-hour desertion of Brown in favor of Cooper would help their own cause. Instead they killed what slight chance they may have had to stop a Republican nominee whose frank stand against prohibition is a refreshing contrast to the murky hypocrisy which has too often marked this issue in Ohio."

The Enquirer, Cincinnati (independent Democrat):

"One single fact dominates the results of the primary election in Ohio—the people of the State have spoken unequivocally for modification of the prohibition laws. There is no mistaking the meaning of the tremendous vote cast for Gilbert Bettman, running against an avowed dry. This was the clearest test of liquor sentiment in many years and * * * makes plain that reform of the prohibition law is imperatively demanded in Ohio. This conclusion is supported by the success of David S. Ingalls and the large complimentary vote given to Senator ROBERT J. BULKLEY, both of them uncompromising advocates of modification.

"The wide distribution of liberal sentiment shows that modification sentiment is not confined to urban areas. From the Bettman victory it is apparent that the one-time power of the Anti-Saloon League in the Republican Party in Ohio is completely shattered.

"From now on the G. O. P. can approach this all-important social problem in the light of what men and women actually demand. The Ohio primary is a turning point in this nationally important problem."

State Journal, Columbus (Republican):

"When Ohio voted dry in 1918 everybody knew it was only a question of time until nearly every State would capitulate. Since Ohio has gone wet again everybody knows it is only a question of time until national prohibition will be abolished—in letter as well as in already established fact. If any doubt has existed up to this time whether the Republican Party platform, to be adopted next month, will contain a wet plank, that question has been ended by Tuesday's vote.

"So far as the State is concerned, the result in November will be wet, no matter which party is the victor."

The Dispatch, Columbus (independent):

"In this most significant of Ohio primary elections in years, from the national political standpoint, one trend seems to be definitely established. It is that a marked change in sentiment concerning the virtue of the dry cause has occurred among Ohio voters.

"In the national Republican Party especially is this important. It has been awaiting the outcome of the Ohio vote, which admittedly is accounted the most revealing in any of the 48 States because of Ohio's history as a political pace setter, and undoubtedly it will have an effect upon the position which the national convention and the national candidates will take on this question during the election."

Beacon-Journal, Akron (Republican):

"There need be no surprise that David S. Ingalls has won the Republican nomination for governor by a decisive vote, so decisive as to be the outstanding feature of the State primary. His victory carries a moral that should not be lost upon the faint-hearted candidates who imagine that to win high public station it is still in order to mortgage themselves to a decadent Anti-Saloon League leadership, along with the abject subversion of their own opinions and principles.

"Hardly less significant is the popular indorsement accorded Attorney General Gilbert Bettman in the senatorial race. Like Ingalls, Bettman gave defiance to the chieftains of Westerville, and told them bluntly that the hour has come when they should cease troubling the political counsels of the State. This challenge was accepted and the Anti-Saloon League put Louis J. Taber, head of the National Grange, as its champion in the arena. In no election has a contest been more clearly drawn than in this issue between Bettman and Taber. The result is a clear-cut expression of Ohio's sentiment in the matter."

The News, Dayton (Democrat):

"The sensation of the State-wide primary is the success of Republican antiprohibition candidates for both governor and United States Senator. This means nothing less than a political revolution in Ohio. From a time to which few present memories run, the Republican Party in Ohio has been controlled by a combination of interests of which the Anti-Saloon League was one. Men like Governor Cooper, Senator FESS, and the leaders who preceded them are and were official spokesmen in Ohio and in Congress for the powerful, hard-boiled political machine which Wayne Wheeler was able to build. When that whip cracked, the Republican Party jumped. Now at last that whip has cracked and the party has not responded. The party of Willis and FESS has turned about in following Bettman and Ingalls, open and energetic wets. Ohio, keystone of Anti-Saloon League power, is left without an Anti-Saloon League party. The Republican Party, pride of the drys, has gone wet. The political consequences, in Ohio, of this revolutionary change can not fail to be great."

Scripps-Howard Ohio newspapers:

"Wet victories in the Ohio and Indiana primaries hasten the national march away from prohibition. Ohio, the mother of Presidents and mother of the Anti-Saloon League, is a key State. Indiana is the State that had the most drastic dry laws.

"This general reaction against an experiment which started with noble purpose and ended ignobly is now barbed with sharp economic necessity. Prohibition enforcement swells the Federal deficit and at the same time robs the Government of revenue with which to balance the Budget and relieve the overburdened taxpayer.

Those hit by the tax bill are now asking to be spared. The movies, the rubber industry, the automobile industry, the insurance companies—the whole long list.

"And make no mistake about it, they are hit, and hit hard—at a time when any extra expense whatsoever is an inch off the end of the nose.

"Life or death for many of the industries is in the provisions of the tax bill; life if the tax is only all that the traffic will bear; the death sentence if beyond that. And the death means to the Government that the goose that lays the golden egg is no more, that the thing the bill seeks to accomplish is nullified by the bill itself. So it is no more than natural and human that cries for mercy are raised.

"And while all this is going on, the thing which would relieve all, the thing which would save industry from being taxed to death, lies before us—unused.

"Congress, the Congress which is doing the taxing, has the power to amend the Volstead Act. By such an amendment a tax on beer can be levied. And by such a tax the terrible burden could be lightened, could be shifted to shoulders that could bear it—shoulders that now go unencumbered with any load whatsoever.

"A beer tax would bring in from $375,000,000 to $500,000,000 per year. Think what that would do! It is a greater sum than the present proposed taxes on amusements, radios, and phonographs, and communications combined. It is from one-third to one-half the total tax bill.

* * * * * * *

"What a silly situation!

"Prohibition is doomed. Every sign points to that fact. As sure as the stars, prohibition is on the way out. Every politician in Washington knows it. It's only a matter of time. In what amounts to a stampede, the political drys are turning wet.

"What an opportunity to do it now—now, when the awful pressure of taxation can be relieved—not later, when the death sentence on overtaxed Americans has been executed.

"Those industries which are now crying for help have stockholders. Those stockholders are voters. We advise the ones who are now lobbying in Washington to get their companies spared, to go to the grass roots—to call upon their stockholders to express themselves to their Congressmen and their Senators.

"Amendment of the Volstead Act by this Congress would turn the trick. It would clear the skies. It isn't being done because the wary politicians are waiting for the party conventions next month to take the responsibility for something that is as inevitable as to-morrow.

"But pressure from back home might change their minds. The politician, admitting that prohibition is doomed, contends that it 'can't be done in this session.' He can be made to understand that anything is possible in a time like this."

REPORTS OF COMMITTEES

Mr. BARBOUR, from the Committee on Public Buildings and Grounds, to which was referred the bill (H. R. 11337) authorizing the Secretary of the Treasury to exchange the Federal building site in Dover, N. J., for another site, reported it without amendment and submitted a report (No. 685) thereon.

Mr. ODDIE, from the Committee on Post Offices and Post Roads, to which was referred the bill (S. 36) to amend the act entitled "An act to provide that the United States shall aid the States in the construction of rural post roads, and for other purposes," approved July 11, 1916, as amended and supplemented, and for other purposes, reported it with amendments.

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs, to which was referred the bill (S. 3691) to provide for the manufacture and sale of industrial and beverage alcohol for lawful purposes in Osage County, Okla., reported it without amendment and submitted a report (No. 686) thereon.

Mr. SCHALL, from the Committee on Indian Affairs, to which was referred the bill (H. R. 8393) providing for payment of $25 to each enrolled Chippewa Indian of the Red Lake Band of Minnesota from the timber funds standing to their credit in the Treasury of the United States, reported it without amendment and submitted a report (No. 687) thereon.

Mr. AUSTIN, from the Committee on the District of Columbia, to which was referred the bill (S. 3532) to authorize the Commissioners of the District of Columbia to

readjust and close streets, roads, highways, or alleys in the District of Columbia rendered useless or unnecessary, and for other purposes, reported it with amendments and submitted a report (No. 688) thereon.

Mr. TYDINGS, from the Committee on the District of Columbia, to which was referred the bill (S. 2178) to exempt from taxation certain property of the National Society of the Sons of the American Revolution in Washington, D. C., reported it with amendments and submitted a report (No. 689) thereon.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

Mr. REED, from the Committee on Military Affairs, reported favorably the nomination of Brig. Gen. Edgar Thomas Collins, to be major general in the Regular Army, from June 1, 1932, vice Maj. Gen. John L. Hines, to be retired from active service May 31, 1932; and also sundry nominations of officers in the Regular Army, which were placed on the Executive Calendar.

Mr. ODDIE, from the Committee on Post Offices and Post Roads, reported favorably sundry nominations of postmasters, which were placed on the Executive Calendar.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WATSON:

A bill (S. 4654) granting a pension to Faye Rowland (with accompanying papers); to the Committee on Pensions.

By Mr. HALE:

A bill (S. 4655) granting an increase of pension to Mary G. Walsh (with accompanying papers); to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

A bill (S. 4656) granting a pension to Armor Ellsworth Needy (with accompanying papers); to the Committee on Pensions.

A bill (S. 4657) for the relief of Henry Charles O'Dell; to the Committee on Claims.

By Mr. FLETCHER:

A bill (S. 4658) for the relief of Lyman D. Drake, jr.; to the Committee on Claims.

By Mr. COPELAND:

A bill (S. 4659) to amend section 7 of the act of Congress of June 30, 1906 (34 Stat. L. 768, U. S. C., title 21, sec. 8), as amended; to the Committee on Agriculture and Forestry.

By Mr. LA FOLLETTE:

A bill (S. 4660) authorizing a per capita payment of $50 to the members of the Menominee Tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States; to the Committee on Indian Affairs.

By Mr. SHEPPARD:

A bill (S. 4661) to repeal an act entitled "An act to legalize the incorporation of national trade-unions," approved June 29, 1886; to the Committee on the District of Columbia.

By Mr. NORBECK:

A bill (S. 4662) for the relief of C. B. Dickinson; to the Committee on Claims.

By Mr. BORAH:

A joint resolution (S. J. Res. 157) to extend the time for filing claims under the settlement of war claims act of 1928, and for other purposes; to the Committee on Foreign Relations.

REVENUE AND TAXATION—AMENDMENTS

Mr. HOWELL submitted an amendment intended to be proposed by him to House bill 10236, the revenue and taxation bill, which was ordered to lie on the table and to be printed, as follows:

On page 286, line 2, after "company," insert a comma and the words "for an amount in excess of $10."

Mr. KING submitted an amendment intended to be proposed by him to House bill 10236, the revenue and taxation bill, which was ordered to lie on the table and to be printed, as follows:

On page 33, line 2, after the word "Territory," insert a comma and the following: "nor to persons carrying on the banking business (where the receipt of deposits constitutes a major part of such business) in respect of transactions in the ordinary course of such banking business."

Mr. TRAMMELL submitted amendments intended to be proposed by him to House bill 10236, the revenue and taxation bill, which were ordered to lie on the table and to be printed, as follows:

On page 36, line 17, strike out "$1,000" and insert in lieu thereof "$1,500."

On page 36, line 19, strike out "$2,500" and insert in lieu thereof "$3,000."

On page 37, line 2, strike out "18" and insert "20."

Mr. CONNALLY submitted an amendment intended to be proposed by him to House bill 10236, the revenue and taxation bill, which was ordered to lie on the table, to be printed, and to be printed in the RECORD, as follows:

Amendment intended to be proposed by Mr. CONNALLY to the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, viz: On page 9, strike out lines 19 to 25, both inclusive (relating to rates of normal tax on individuals), and insert in lieu thereof the following:

"(a) Four per cent of the first $4,000 of the amount of the net income in excess of the credits against net income provided in section 25; and

"(b) Eight per cent of the remainder of such excess amount."

On page 10, strike out lines 5 to 25, both inclusive, all of pages 11, 12, 13, and 14, and lines 1, 2, and 3 on page 15 (relating to surtax rates on individuals), and insert in lieu thereof the following:

"Upon a net income of $6,000 there shall be no surtax; upon net incomes in excess of $6,000 and not in excess of $10,000, 1 per cent of such excess.

"$40 upon net incomes of $10,000; and upon net incomes in excess of $10,000 and not in excess of $12,000, 2 per cent in addition of such excess.

"$80 upon net incomes of $12,000; and upon net incomes in excess of $12,000 and not in excess of $14,000, 3 per cent in addition of such excess.

"$140 upon net incomes of $14,000; and upon net incomes in excess of $14,000 and not in excess of $16,000, 4 per cent in addition of such excess.

"$220 upon net incomes of $16,000; and upon net incomes in excess of $16,000 and not in excess of $18,000, 5 per cent in addition of such excess.

"$320 upon net incomes of $18,000; and upon net incomes in excess of $18,000 and not in excess of $20,000, 6 per cent in addition of such excess.

"$440 upon net incomes of $20,000; and upon net incomes in excess of $20,000 and not in excess of $22,000, 8 per cent in addition of such excess.

"$600 upon net incomes of $22,000; and upon net incomes in excess of $22,000 and not in excess of $24,000, 9 per cent in addition of such excess.

"$780 upon net incomes of $24,000; and upon net incomes in excess of $24,000 and not in excess of $26,000, 10 per cent in addition of such excess.

"$980 upon net incomes of $26,000; and upon net incomes in excess of $26,000 and not in excess of $28,000, 11 per cent in addition of such excess.

"$1,200 upon net incomes of $28,000; and upon net incomes in excess of $28,000 and not in excess of $30,000, 12 per cent in addition of such excess.

"$1,440 upon net incomes of $30,000; and upon net incomes in excess of $30,000 and not in excess of $32,000, 13 per cent in addition of such excess.

"$1,700 upon net incomes of $32,000; and upon net incomes in excess of $32,000 and not in excess of $36,000, 15 per centum in addition of such excess.

"$2,300 upon net incomes of $36,000; and upon net incomes in excess of $36,000 and not in excess of $38,000, 16 per cent in addition of such excess.

"$2,620 upon net incomes of $38,000; and upon net incomes in excess of $38,000 and not in excess of $40,000, 17 per cent in addition of such excess.

"$2,960 upon net incomes of $40,000; and upon net incomes in excess of $40,000 and not in excess of $42,000, 18 per cent in addition of such excess.

"$3,320 upon net incomes of $42,000; and upon net incomes in excess of $42,000 and not in excess of $44,000, 19 per cent in addition of such excess.

"$3,700 upon net incomes of $44,000; and upon net incomes in excess of $44,000 and not in excess of $46,000, 20 per cent in addition of such excess.

"$4,100 upon net incomes of $46,000; and upon net incomes in excess of $46,000 and not in excess of $48,000, 21 per cent in addition of such excess.

"$4,520 upon net incomes of $48,000; and upon net incomes in excess of $48,000 and not in excess of $50,000, 22 per cent in addition of such excess.

"$4,960 upon net incomes of $50,000; and upon net incomes in excess of $50,000 and not in excess of $52,000, 23 per cent in addition of such excess.

"$5,420 upon net incomes of $52,000; and upon net incomes in excess of $52,000 and not in excess of $54,000, 24 per cent in addition of such excess.

"$5,900 upon net incomes of $54,000; and upon net incomes in excess of $54,000 and not in excess of $56,000, 25 per cent in addition of such excess.

"$6,400 upon net incomes of $56,000; and upon net incomes in excess of $56,000 and not in excess of $58,000, 26 per cent in addition of such excess.

"$6,920 upon net incomes of $58,000; and upon net incomes in excess of $58,000 and not in excess of $60,000, 27 per cent in addition of such excess.

"$7,460 upon net incomes of $60,000; and upon net incomes in excess of $60,000 and not in excess of $62,000, 28 per cent in addition of such excess.

"$8,020 upon net incomes of $62,000; and upon net incomes in excess of $62,000 and not in excess of $64,000, 29 per cent in addition of such excess.

"$8,600 upon net incomes of $64,000; and upon net incomes in excess of $64,000 and not in excess of $66,000, 30 per cent in addition of such excess.

"$9,200 upon net incomes of $66,000; and upon net incomes in excess of $66,000 and not in excess of $68,000, 31 per cent in addition of such excess.

"$9,820 upon net incomes of $68,000; and upon net incomes in excess of $68,000 and not in excess of $70,000, 32 per cent in addition of such excess.

"$10,460 upon net incomes of $70,000; and upon net incomes in excess of $70,000 and not in excess of $72,000, 33 per cent in addition of such excess.

"$11,120 upon net incomes of $72,000; and upon net incomes in excess of $72,000 and not in excess of $74,000, 34 per cent in addition of such excess.

"$11,800 upon net incomes of $74,000; and upon net incomes in excess of $74,000 and not in excess of $76,000, 35 per cent in addition of such excess.

"$12,500 upon net incomes of $76,000; and upon net incomes in excess of $76,000 and not in excess of $78,000, 36 per cent in addition of such excess.

"$13,220 upon net incomes of $78,000; and upon net incomes in excess of $78,000 and not in excess of $80,000, 37 per cent in addition of such excess.

"$13,960 upon net incomes of $80,000; and upon net incomes in excess of $80,000 and not in excess of $82,000, 38 per cent in addition of such excess.

"$14,720 upon net incomes of $82,000; and upon net incomes in excess of $82,000 and not in excess of $84,000, 39 per cent in addition of such excess.

"$15,500 upon net incomes of $84,000; and upon net incomes in excess of $84,000 and not in excess of $86,000, 40 per cent in addition of such excess.

"$16,300 upon net incomes of $86,000; and upon net incomes in excess of $86,000 and not in excess of $88,000, 41 per cent in addition of such excess.

"$17,120 upon net incomes of $88,000; and upon net incomes in excess of $88,000 and not in excess of $90,000, 42 per cent in addition of such excess.

"$17,960 upon net incomes of $90,000; and upon net incomes in excess of $90,000 and not in excess of $92,000, 43 per cent in addition of such excess.

"$18,820 upon net incomes of $92,000; and upon net incomes in excess of $92,000 and not in excess of $94,000, 44 per cent in addition of such excess.

"$19,700 upon net incomes of $94,000; and upon net incomes in excess of $94,000 and not in excess of $96,000, 45 per cent in addition of such excess.

"$20,600 upon net incomes of $96,000; and upon net incomes in excess of $96,000 and not in excess of $98,000, 46 per cent in addition of such excess.

"$21,520 upon net incomes of $98,000; and upon net incomes in excess of $98,000 and not in excess of $100,000, 47 per cent in addition of such excess.

"$22,460 upon net incomes of $100,000; and upon net incomes in excess of $100,000 and not in excess of $150,000, 48 per cent in addition of such excess.

"$46,460 upon net incomes of $150,000; and upon net incomes in excess of $150,000 and not in excess of $200,000, 49 per cent in addition of such excess.

"$70,960 upon net incomes of $200,000; and upon net incomes in excess of $200,000 and not in excess of $300,000, 50 per cent in addition of such excess.

"$120,960 upon net incomes of $300,000; and upon net incomes in excess of $300,000 and not in excess of $400,000, 51 per cent in addition of such excess.

"$171,960 upon net incomes of $400,000; and upon net incomes in excess of $400,000 and not in excess of $500,000, 52 per cent in addition of such excess.

"$223,960 upon net incomes of $500,000; and upon net incomes in excess of $500,000 and not in excess of $750,000, 53 per cent in addition of such excess.

"$356,460 upon net incomes of $750,000; and upon net incomes in excess of $750,000 and not in excess of $1,000,000, 54 per cent in addition of such excess.

"$491,460 upon net incomes of $1,000,000; and upon net incomes in excess of $1,000,000, 55 per cent in addition of such excess."

On page 36, strike out lines 16 to 23, both inclusive, and insert in lieu thereof the following:

"(c) In the case of a single person, a personal exemption of $1,000; or in the case of the head of a family or a married person living with husband or wife, a personal exemption of $2,500, unless the net income is in excess of $5,000, in which case the personal exemption shall be $2,000. A husband and wife living together shall receive but one personal exemption. The amount of such personal exemption shall be $2,500, unless the aggregate net income of such husband and wife is in excess of $5,000, in which case the amount of such personal exemption shall be $2,000. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them. In no case shall the reduction of the personal exemption from $2,500 to $2,000 operate to increase the tax, which would be payable if the exemption were $2,500, by more than the amount of the net income in excess of $5,000."

On page 37, strike out lines 14 to 24, both inclusive, and all of page 38 (being the earned-income provisions).

CONFIRMATION OF COAST GUARD NOMINATIONS

Mr. JOHNSON. Mr. President, I ask unanimous consent that the rule by which two executive session days must elapse before confirmations became final be waived in respect to certain Coast Guard nominations which recently were confirmed at the last executive session of the Senate. I make this request because it is an emergent matter. The young men have graduated and their closing exercises are set for Monday next. It was assumed that then they would receive their commissions and their appointments. If we do not waive the rule, the entire program that has been arranged for Monday next will be utterly and wholly displaced. I therefore ask that the rule may be waived.

The PRESIDENT pro tempore. Is there objection?

Mr. NORRIS. Mr. President, I think all the Senator need do would be to ask unanimous consent that the President be notified of the confirmation of the nominations.

Mr. JOHNSON. I am willing to adopt whichever method will accomplish the purpose; and, at the suggestion of the Senator from Nebraska, I ask unanimous consent that the President may be notified of the confirmation of the Coast Guard nominations which were acted upon by the Senate at its last executive session.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and, as in executive session, that order will be entered.

GOVERNMENT AND TAXES—ADDRESS BY FREDERICK E. WILLIAMSON

Mr. COPELAND. Mr. President, I ask unanimous consent to have printed in the Appendix a radio address delivered by Mr. Frederick E. Williamson, president of the New York Central Lines, on Wednesday, April 20, 1932, on the subject Government and Taxes—Everybody's Business.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

As a people we are born optimists. We earn more, spend more, and enjoy more than any civilized people in the world. We boast of our national wealth, but we ignore the fact that it represents only the savings of the people. We are proud of our national income, but we forget that it can never be more than the aggregate of individual income.

We concede that government now constitutes the country's greatest business, but we refuse to admit that we are stockholders in the business of government and that we are responsible for the conduct of that business. We find it much more convenient to neglect government, and we do neglect it.

We are most particular in the selection of a new motor car, a radio, or an overcoat; but we give little thought, excepting at or about election day, to the selection of our Government. As a matter of fact, we do not want to be bothered with the details of government unless we think it can do something for us which will give us an advantage over our neighbor. In that event, we are willing to bestir ourselves and we promptly call upon government to satisfy what has become commonly known as "public demand."

Government is always ready to respond to any demand which can possibly be construed as public demand and, during the recent years, "public demand" has become the theme song of our national life. The Federal, State, and local governments have listened to the music, and have intensified their efforts to please the people.

As a result governmental acitvities have continued to expand in every direction. We now find Government engaged in all kinds of business and in direct competition with its citizens. When government enters business it becomes a monopoly, and no private industry can successfully compete with it. Moreover, the business ventures of government are usually conducted at a loss, and these losses are paid from the public tax chest, to which the citizens themselves are required to contribute.

The past decade embraced years of unparalleled prosperity. Our volume of business expanded, values increased enormously, and business generally was profitable. But in spite of these facts, thoughtful citizens constantly directed attention to the rapid expansion of government and the continuously increasing tax burden. But these efforts enlisted little support. The Government was rich; it could do anything; the governmental Santa Claus was on the job.

Huge sums of public tax funds were appropriated and bonds were issued freely for all manner of public improvements—improvements which it was thought were needed, improvements which some one thought might be used sometime in the future, and improvements which nobody needed or would ever need. Millions of tax funds were allocated for every character of service and relief—relief for this, relief for that, and relief for the other thing—largely upon the popular theory that it would not cost anybody anything.

New Government agencies were created to spend the money and new bureaus to supervise the expenditures. Commissions were established to regulate everything and everybody. But there was apparently no thought that all of these things actually cost money; that there would be a day of reckoning; and that the people themselves would be called upon to pay the bill.

Pay day is here—and pay day is to-day. Many of the governmental units throughout the land are now facing enormous cash deficits and some of them are on the verge of actual bankruptcy. How many people realize that in 1919, the year following the armistice, total taxes collected in the United States amounted to seven and one-half billion dollars; that while there was a slight reduction to seven and one-quarter billion dollars in 1923, from then on, beginning at a point five years after peace, our tax bill has been constantly increasing. It was nearly ten billions in 1929 and is over ten billions at the present time. In fact, the total public expenditures for 1930 exceeded $14,000,000,000, the difference being represented by a $4,000,000,000 addition to our public debt of thirty billions. Government budgets must be balanced, and the public credit must be maintained. Government is now looking for a public which is willing to pay for the services which Government provided in response to what Government considered to be a public demand.

At the same time, we are passing through a recession in business which for length and severity is possibly without a parallel in history. Profits of agriculture and industry have almost vanished, and they naturally yield much less tax. The income of the individual has been greatly reduced, if it has not entirely disappeared, and he finds it difficult to pay any tax. We have reached the point, to quote from a recent address by Col. Robert R. McCormick, editor and publisher of the Chicago Tribune, where—

"The evil talk of tax strikes is heard throughout the land; but far more serious than strikes is the growing inability of taxpayers to pay. Strike or no strike, it is absolutely impossible to pay the taxes assessed. Owners of buildings are tearing them down because taxes are more than receipts. Owners of unimproved property are unable to pay their taxes and tax buyers can not be found to evict them. We have reached the extraordinary situation where the ownership of property has become a liability, not an asset."

The man who does not make a tax return, or who does not directly pay taxes, may think that he is exempt from taxation—but he is not. Every citizen, whether he knows it or not, pays taxes. There is no way of evading the tax collector—he finally gets everybody. Taxes are added to the cost of everything we purchase—bread, meat, flour, clothing, fuel, light, rent, and even transportation.

We are apt to point with pride to the fact that the railways, which have contributed so much to the universal welfare, constitute the country's largest corporate taxpayer. In reality, we have merely made the railway industry our largest tax collector.

The railways not only pay real-estate taxes, as do the farmer and the home owner, but they pay more. They pay excise taxes for the privilege of doing business. In many States they pay capital-stock taxes. In some States they pay taxes upon their gross revenues. In at least one State they pay taxes for the privilege of running their tracks across public highways. And, of course, they pay a Federal income tax—when they have any income.

The railways pay these taxes from freight rates and passenger fares which they receive from the public who use rail service. Every time you pay $10 for railway freight or passenger service, you contribute about 75 cents to the cost of government. You pay it to the railways when you purchase a ticket or pay a freight bill, and the railways turn it over to government when they pay their tax bills.

The power to tax is the most important privilege conferred upon government by the people. The proper use of the taxing power is a condition precedent to the prosperity of any country. The abuse of taxing power can destroy even the richest of nations. We should always remember that government itself is not obliged to earn money. Government has the power to collect money from those who do earn it.

When unfair or excessive taxation draws upon the national wealth, our productive ability becomes impaired. Agriculture and industry are compelled to curtail business operations, with resultant unemployment, thinner pay envelopes, and reduced purchasing power. Every dollar of unnecessary or excessive tax, which government takes from the earnings and income of the people, reduces the amount which citizens will be able to spend for goods and services, or for the employment of labor.

It is no longer necessary to point out that the cost of government is now beyond the ability of the people to pay. A business depression has brought that fact home with brutal force. Government has now become a $14,000,000,000 annual expense, and we face a staggering public debt and a back-breaking tax burden. We know where we are to-day, but we must now determine where we are going to-morrow.

If we are to have sound and lasting prosperity in this country, Government must stop looking for new places to spend more money and to levy additional taxes. Government must reduce expenses, and by this I do not mean merely reducing salaries of Government officers and employees; I mean that the only practical way to reduce Government expenses is to curtail governmental activities. We must call a halt upon every extravagance in government which produces excessive taxation, and which compels hand-to-mouth public borrowing. We must get down to hard-pan in the business of government.

Let the Government retire from all business which can and should be conducted by its citizens engaged in industrial enterprise. All commissions, bureaus, and governmental "what nots" which are not actually essential to the public welfare should be abolished. The people should cease their demands upon Government for all kinds of service and for all sorts of fads and fancies—at public expense. We must learn to be satisfied with less, or we must provide it ourselves. Expenditures for public improvements should be based solely upon the absolute need for them, and upon our ability to pay for them.

Everyone knows that reducing expenses is a painful job. But agriculture and industry have been compelled to pare expenses to the very bone of their operations, and the process has been more than painful. The individual citizen has not only felt the pinch, but he has economized until it actually hurts. But what is more important is the fact that these pains will become permanent aches unless government is willing to adopt the same drastic economies which have been forced upon its people.

Some people do not care much what happens as long as it does not happen to them. But government and taxes affect everybody, and everybody is to-day in need of the relief which could readily be provided, through less government and reduced taxes.

What the country needs is relief from governmental meddling with its citizens and with their lawful business pursuits.

What we all need, and need immediately, is relief from a tax burden which now has a strangle hold upon agriculture and industry, and which is actually confiscating the savings and the earnings of the home owner and the wage earner.

If the people really desire economy in government and a tax bill, which they can afford to pay, they can have it. But only if they make their desires known to those who represent them in the conduct of government. Citizens must be sure that their desires are clearly heard and that they are definitely understood. They must see that their wishes are respected.

Within the past few days we learn, through the public press, that an effort is being made to reduce the cost of our Federal Government. This is a move in the right direction. Whether these reductions will be sufficient to give new life to agriculture and industry is for the people and their representatives to determine. If the people really intend to show a proper interest in government, they should now let their representatives know how they feel with regard to the program which has been proposed and with regard to any programs which may be advanced in the future.

Furthermore, we must assume more responsibility for the conduct of a government which is in fact our Government. We must recognize that government and taxes are inseparable, and that they are determining factors in our national life. Government and taxes are and they should always be—everybody's business.

REVENUE AND TAXATION

The Senate proceeded to consider the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, which had been reported from the Committee on Finance with amendments.

Mr. WALSH of Montana. Mr. President, I see in the report on the bill now under consideration some very important figures relative to the revenue which it is estimated will result from the income-tax features of the bill, if enacted. I want to inquire of the chairman of the Committee on Finance, the Senator from Utah [Mr. SMOOT], in charge of the bill, whether the amount of revenue which it is expected will be produced from each bracket is given in the report? I notice the amount which the individual taxpayer will pay is given, but I do not find anywhere the aggregate amount in each bracket.

Mr. SMOOT. We have the figures as to the aggregate.

Mr. WALSH of Montana. Will they be supplied?

Mr. SMOOT. I shall call attention to them in my remarks. I will say, however, that the aggregate revenue, taking the bill as a whole, will be $1,030,000,000.

Mr. WALSH of Montana. I see that the aggregate is given.

Mr. SMOOT. The Senator desires the aggregate in each of the brackets.

Mr. WALSH of Montana. In each bracket.

Mr. SMOOT. I will see if that can not be supplied.

Mr. President, I now ask unanimous consent that the formal reading of the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, may be dispensed with.

The PRESIDENT pro tempore. The Senator from Utah asks unanimous consent that the formal reading of the bill may be dispensed with. Is there objection? The Chair hears none, and it is so ordered.

Mr. SMOOT. Mr. President, there is imposed upon us the all-important duty of taking immediate and adequate steps to place the finances of the Government upon an unquestioned sound basis and to provide for the continuance of the public credit unimpaired. This is a problem of by no means merely fiscal implications, which may be thought of simply in terms of increasing the Federal revenues and decreasing its expenditures. It involves an issue of vastly greater significance, upon which economic conditions in the period which lies immediately before us must depend in very considerable measure. The course which the Congress pursues in dealing with this problem will inevitably affect the welfare of every man and woman in the country.

I need not recount the facts of the depression through which we have been passing during the past two and a half years. The extent of contraction in our industrial and commercial activity and of the decline in commodity and security prices—in fact, values in general—and the drastic credit liquidation which has taken place, the unemployment and the suffering of past months, should be all too fully evident to require description at this time. It is becoming increasingly apparent that this, the most severe depression in the country's history, has reached a stage in which doubt and uncertainty are obstructing the processes of rehabilitation and recovery which the wealth of our resources and the industry and enterprise of our people assure us. There is, furthermore, little doubt that an important contributing factor in this situation, particularly in recent months, has been the concern which has been aroused by the occurrence of heavy deficits in the Federal Budget and by the prospect of further large deficits unless corrective measures are immediately taken.

THE FEDERAL DEFICITS

We closed the fiscal year 1931 with a deficit of slightly more than $900,000,000. Of this amount, $440,000,000 was attributable to sinking fund and other statutory debt retirements. The balance of that deficit, plus an increase of $153,000,000 in the Treasury's general fund, accounted for a net increase in the gross public debt outstanding of $616,000,000. From point of view of the funds which the market was called upon to loan to the Government, there should be added to the net increase of $616,000,000 in the public debt the net amount of $507,000,000, representing additional Treasury borrowing required to convert securities held in the adjusted-certificate fund into cash in order to provide in part for additional loans to veterans. This makes a total increase in the volume of Federal borrowing in the open market in the fiscal year 1931 of more than $1,120,000,000.

Treasury estimates indicate for the current fiscal year—namely, 1932—a deficit aggregating $2,240,000,000, exclusive of additional amounts required to carry out the Government's reconstruction program. Subtracting from this figure $412,000,000 for statutory debt retirements included in expenditures, and adding $625,000,000 for the Reconstruction Finance Corporation and for increases in the capital of Federal land banks, indicates a net increase in the public debt outstanding of not less than $2,450,000,000 for 1932. Again, to obtain the indicated volume of borrowing in the open market, it is necessary to increase this total by the amount of additional securities liquidated in connection with the financing of loans to veterans, which brings the indicated total volume of Federal borrowing in the open market for the fiscal year 1932 to not less than $2,575,000,000.

Thus the Treasury has been called upon to finance through borrowing a deficit of about $900,000,000 for the fiscal year 1931 and a deficit for the fiscal year 1932, which by the end of April had actually reached a total of more than $2,300,000,000.

Mr. HULL. Mr. President——

The PRESIDING OFFICER (Mr. HEBERT in the chair). Does the Senator from Utah yield to the Senator from Tennessee?

Mr. SMOOT. I yield.

Mr. HULL. I could not hear from where I am sitting whether or not the Senator referred to the status of the sinking fund in that connection.

Mr. SMOOT. I have not referred to it as yet, but I will reach that before I conclude.

Mr. HULL. Very well.

DECLINE IN REVENUES

Mr. SMOOT. The deficits are to be attributed in the main to the drastic reduction of the Federal revenues as a result of the depression. Total Federal receipts in the fiscal year 1930 aggregated $4,178,000,000. Treasury estimates indicate that receipts for the current fiscal year amount to only $2,240,000,000—a decline of nearly 50 per cent. Treasury estimates for the fiscal year 1933, the year for which we are budgeting, indicate total receipts of only $2,375,000,000.

Brief examination of the major items of revenue will indicate the character of the changes which have taken place. Customs receipts totaled $587,000,000 for the fiscal year 1930, and are estimated at $430,000,000 for the fiscal year 1933. Miscellaneous internal revenue collections aggregated $628,000,000 in 1930, and are estimated at $550,000,000 for 1933. The most drastic decline in receipts, however, is due to the reduction in the volume of income-tax payments. Current collections of individual income tax have dropped from $1,061,000,000 in 1930 to an estimated total of only $275,000,000 for 1933, while current corporation income-tax collections declined from $1,118,000,000 in 1930 to an estimated total of only $382,000,000. A tax upon incomes must be unproductive whenever incomes disappear.

It is inevitable that the Federal revenues should be seriously affected by the depression, accompanied as it has been by drastic reduction in incomes. The effect of the depression upon the revenues has, however, been accentuated by the fact that the individual income tax rests upon a relatively narrow base and is levied upon incomes which contain highly variable elements. As a result of the liberal exemptions allowed by the existing law the total individual income tax is paid by some 2,000,000 individuals. More than 94 per cent of these taxes are paid by about 260,000 individuals. Consequently the yield of the individual income tax is dependent to a very considerable degree upon the vacillating fortunes of a few individuals. By the proposed reduction in personal exemptions it is expected that some 1,700,000 individuals will be added to the taxpaying group.

SECURITY LOSSES

As to the large incomes particularly, both the number of returns reporting incomes in the upper brackets and the volume of income so reported are largely affected by the profits and losses resulting from dealings in securities. In fact, security gains and losses have been a major factor, accounting for unprecedented yields in the past as well as the recent decline in aggregate individual income-tax collections. The importance of this factor may be illustrated on the basis of the comparison between 1928 and 1930, the latest year for which data are available. The combined net income shown on returns reporting net income of $5,000 and over shows a decline of $6,180,000,000 from 1928 to 1930. Taking into account both profits and losses from security transactions shown on these returns, 1930 shows a decline as compared with 1928 of about $4,230,000,000 in income from dealings from securities. This decrease, therefore, accounted for approximately two-thirds of the change in reported net income. Reasonable restrictions are essential and are recommended in the bill now before you. As the result of provisions written into the bill by the House and

amendments proposed by the Finance Committee affecting the treatment of profits and losses from dealings in securities, the extent to which ordinary income can in effect be wiped out for tax purposes by losses on securities is very materially reduced.

GOVERNMENT EXPENDITURES

With receipts cut practically in half by the depression, the Budget has been further burdened as a result of growing expenditures. Following the postwar deflation of Government outlays, greatly expanded by war activities, Federal expenditures reached a low point of about $3,494,000,000 in the fiscal year 1927. From this figure there has been a constant, unrelenting increase to an estimated total of more than $4,480,000,000 for the fiscal year 1932, exclusive of certain items of expenditure for the Government's reconstruction program, not now possible of accurate estimate. Expenditures for the fiscal year 1933 are estimated at about $4,113,000,000. At a time when corporations and individuals are struggling with the problems of depression, facing the necessity of adjusting expenditures to reduced incomes, and when the Government is calling upon the public to assume an additional tax burden of a billion dollars, the country has an absolute right to demand every practicable reduction in governmental expenditures—Federal, State, and local. I for one believe it our duty to proceed vigorously and promptly to meet this demand. In so far as the Federal Government is concerned, the situation calls for united action in the Congress and for every effort on the part of administrative officers of the Government to accomplish immediate reductions.

While earnestly supporting and urging the conduct of a prompt and effective program of economy as regards the Federal Government, I wish to point out that the problem of achieving real results is by no means as simple as some believe who merely point to the growth in expenditures and ask that balance be restored to the Budget by merely lopping off expenditures to the level of earlier years. The problem is far more intricate and difficult. Curtailment of governmental expenditures in a period of depression presents an entirely different problem from that confronting private enterprises. Even in times of depression essential governmental activities must be conducted on an effective and efficient basis. The need for government is a continuing one. If not most, certainly many of the Government's responsibilities and essential activities are not diminished in such times as these. In fact, in some instances quite the contrary is the case. Certainly in the present period of depression pressure for Governmental expenditures has been heavy, indeed. A very considerable part of the recent increase in Federal expenditures may be attributed to the cost of special activities undertaken as a result of emergency conditions. For example, the increase of nearly $620,000,000 in expenditures between 1927 and 1933 includes an increase of more than $270,000,000 in expenditures for public works, such as Federal-aid highways, public buildings, and river and harbor and flood-control activities. It includes also an increase of about $80,000,000 in outlays for such purposes as ship and aircraft construction and allied activities, $15,000,000 for the agricultural marketing fund, an increase of $128,000,000 for the postal deficiency, and an increase of more than $240,000,000 in expenditures for veterans.

GOVERNMENT ECONOMY ESSENTIAL

Immediate action must be taken. No one familiar with the Federal Budget can, however, take the position at this time that the indicated deficit for the fiscal year 1933 can be eliminated, or even largely eliminated, merely by reducing expenditures. The $4,113,000,000 of expenditures estimated for the fiscal year 1933 includes $1,137,000,000 for interest and statutory debt retirement, and another $980,000,000 for expenditures for veterans. Deducting these two items from the total, we have a balance of somewhat less than $2,000,000,000.

Clearly, then, we find economy opportunities rigidly restricted. Furthermore, most of the important economies require changes in basic legislation, limiting the scope of the activities imposed by existing law. Nevertheless, the same fundamental basic principles admittedly applicable to private enterprise are just as applicable to Federal, State, and local governments. Current expenditures must be kept within current income. Government extravagance must cease. Unnecessary spending must be eliminated. Retrenchment is essential. The prompt enactment of the revenue measure now before you will increase our revenues more than $1,000,000,000 for the fiscal year 1933. The balance of the $1,241,000,000 required to provide for the Budget, I am confident, can and should be covered by reducing expenditures.

SOURCES OF REVENUE

It is indeed a difficult and unpleasant task to select the sources from which additional revenue may be obtained, to recommend an increase in tax burdens by more than $1,000,000,000, and at the same time attempt to adhere to recognized fundamental principles. There are basic objections to every form of taxation. Every tax imposes a burden. We are confronted with the necessity of selecting measures which will raise the required revenues, distribute the burdens reasonably and equitably, prevent avoidable hardships, impose a minimum of impediment to economic recovery, and at the same time not do violence to the fundamental principles of sound taxation.

Ability to pay, a maxim of perhaps greater importance in periods of depression than in prosperous times, may be measured by income or by outgo. A reasonable tax, based upon either, is capable of yielding substantial revenues. At the same time there are very severe practical limitations inherent in each.

INCREASED INCOME TAXES

An income tax is based upon ability to pay. But the rates must not be so high as to prevent the carrying on of income-producing activities. Nor must the rewards of avoidance be too tempting. We are increasing our anticipated revenue from the tax upon individual incomes by approximately 133 per cent. We propose to collect during the fiscal year 1933 approximately $510,000,000 from less than 4,000,000 individuals, and approximately $434,000,000 from some 200,000 corporations. It is at once apparent that the necessary revenues can not be raised solely from a tax upon incomes. Furthermore, quite in accordance with my predictions, our past experience, particularly during the last few years, has proved that our income tax is not a dependable source from which reasonably constant revenues can be expected. During periods of depression, at a time when reliable revenues are most required, its yield is inadequate. We are forced to turn to other measures.

SALES TAXES

A sales tax—whether imposed upon a few selected commodities or upon commodities generally—is a tax based upon outgo, which is a fair measure of ability to pay. But here again we find inescapable limitations. We must select commodities the purchase of which indicates a true taxpaying ability on the part of the buyer. We must consider the effect on the industry, both from the point of view of a possible lessening of the industry's sales and of the resulting competitive disadvantages. We must consider the potential revenues involved; and we can not overlook administrative difficulties and costs.

Personally, under other circumstances, I would have preferred a general manufacturers' tax. Such a tax could be imposed at a relatively small rate. The burdens would be distributed evenly among all industries and all buyers. Discriminations would be avoided. Its yield would be reasonably constant, and could be accurately estimated. Certainty, both as to liability and amount, could be afforded. It could be administered efficiently and at a low relative cost. By reason of the action of the House of Representatives, however, it is my opinion, and the opinion of a substantial majority of the committee, that the enactment of a general manufacturers' tax at this session of Congress is highly improbable. Accordingly, we were forced to turn to taxes upon the sale of a relatively few selected commodities. In so doing we have attempted to adhere to the principles

I have above enumerated. We propose to raise approximately $560,000,000 of additional revenue through selected excise taxes and miscellaneous taxes.

I concede frankly that each proposed tax will be opposed vigorously by the groups directly affected. Each group admits the necessity of immediate increases in revenue. But we are constantly confronted with the cry, "Do not tax us." Just as, in curtailing appropriations, we hear the cry, "Reduce Government expenditures, but do not cut our appropriation."

THE ESTATE TAX

A Federal estate tax is capable of producing very substantial revenues. The so-called 80 per cent credit provision, under which a credit against the Federal estate tax is granted for estate and inheritance taxes paid to the various States—not exceeding, however, 80 per cent of the Federal tax—has very materially reduced its yield. At the same time the States have come to rely upon the additional revenue opportunities afforded them. In order not to affect State budgets and in order to increase very substantially the yield to the Federal Government of our estate tax, the bill as it passed the House proposes an additional estate tax, which will be independent of the 80 per cent credit provision, and under which the existing rates are more than doubled. However, inasmuch as the tax is not payable until at least a year after the death of the decedent, no additional revenues can be expected from this source during the fiscal year 1933, although it is estimated that we will receive an additional $134,000,000 during the first full year of its operation.

THE GIFT TAX

As a supplement to both the estate tax and income taxes, essential primarily by reason of the high rates, we propose a gift tax. Its greatest effect, however, will be in increased estate tax and surtax collections. Even if the gift tax produces no more than $10,000,000 directly in any one year, it will nevertheless be serving the full purpose of its enactment.

POSTAL RATES

Our Postal Service has for several years been operated with an unjustifiable deficit, amounting this year to $195,000,000. It is estimated that the deficit in 1933 will be approximately $155,000,000. I have always contended that the Postal Service should be made to pay for itself. This will be accomplished by the increased rates carried in the bill, together with other expected changes, under which $160,000,000 will be raised, covering the estimated deficit by a reasonable margin.

NEED FOR EXPEDITIOUS ACTION

I can not estimate the unfortunate effects upon the country resulting from the delays and uncertainties accompanying the enactment of the legislation now before us. Business activities have slackened; unemployment, with inescapable suffering of the innocent and helpless, is not improved; commodity prices have continued to fall; values have depreciated; liquidation has not stopped; credits remain frozen, and credit facilities refuse or fail to function; the recuperative powers of the many relief measures adopted have been diminished and in part nullified; fears at home and abroad have not been allayed. Without attempting to weigh its direct effect upon each of these, the postponed and uncertain enactment of an adequate revenue measure has been a depressing, discouraging, and influential factor.

Of lesser importance, perhaps, but as a fact which should not be overlooked, let me point out that each day's delay in final enactment is costing us directly, in loss of revenue, almost $2,000,000 a day. Prompt and adequate provision for the budgetary requirements of the Government and the strengthening and safeguarding of the public credit are indispensable conditions to the return of confidence and recovery in business, upon which the interests and welfare of all classes depend.

It is time, then, that we join in bringing about the immediate passage of the bill. We have worked in the committee upon a nonpartisan basis, except, perhaps, when the various tariff items were under consideration. Let us continue upon a nonpartisan basis. The bill is not a Republican measure nor a Democratic measure. It is a measure for the protection and preservation of your Government and my Government. It is above party lines and distinctions. I trust that it will be so received by the Senate. In such case, Mr. President, its immediate enactment will follow, and we will have taken the all-important step toward economic recovery.

Mr. FLETCHER. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Utah yield to the Senator from Florida?

Mr. SMOOT. I yield.

Mr. FLETCHER. The Senator has made a very admirable speech, a very enlightening, very interesting, and clear address; but there is just one point I would like to inquire about. The Government issued bonds, and those bonds are payable at a certain time and bear a certain rate of interest. Congress provided for the payment of that interest and for a sinking fund to retire the bonds.

Mr. SMOOT. That is true.

Mr. FLETCHER. The Treasury anticipated payments and made payments on account of the principal of those bonds. I wanted to ascertain how much that amounted to.

Mr. SMOOT. Up to the end of last year it had amounted to $10,000,000,000. The original amount of the war debt was twenty-six billion and some odd million dollars, and the Treasury did reduce the debt down to sixteen billion and some odd millions. It is true that the deposit of the 2½ per cent in a sinking fund, as required by law, would not have furnished enough to redeem that much of our war debt; but I think it is most fortunate that the debt was reduced. If that had not happened we would now have been here, not struggling with $16,000,000,000 of those debts, but we would have had, more than likely, over $20,000,000,000 of debt.

Mr. FLETCHER. But we would not have had this deficit.

Mr. SMOOT. The deficit does not come about from the paying of those obligations.

Mr. FLETCHER. We would have had that money in the Treasury, would we not?

Mr. SMOOT. We never could have held in the Treasury of the United States for four or five years four or five billion dollars. If that money had been in the Treasury I am quite certain it would have been appropriated by Congress for some other purpose.

Mr. FLETCHER. I realize that; but we could have had in the Treasury some $2,000,000,000.

Mr. SMOOT. It is possible, but it is not probable, that it would have been there. Every dollar paid by the Government upon those obligations, it seems to me, is like what happens when a man has a note in a bank. He pays it off just as quickly as he can, even though the note is not due, providing the bank will take the payments. That is what the Government of the United States did, and I thank the Lord for it.

Mr. President, there may be numerous questions propounded during the consideration of the bill. I have tried in the report to explain each one of the amendments proposed, and if Senators who are interested in the bill itself will examine the report, they will find an explanation of every amendment that has been made.

Therefore, Mr. President, I shall content myself at this time by stating that it is the first time since I have been a member of the Committee on Finance that there has been no partisanship shown in the drafting of such a measure as the one before us. The senior Senator from Mississippi [Mr. HARRISON] was just as anxious as I was to get the bill out of the committee, and in the best form possible. I think if Senators will study the bill and the changes which have been made in the House provisions they will agree that the committee has done at least a fairly good job.

I shall conclude what I wanted to say at this time, and hope that the passage of the bill will be hastened in every way possible.

Mr. WALSH of Massachusetts. Mr. President, following the remarks of the senior Senator from Utah [Mr. SMOOT]

I ask to have the views of the minority, signed by several members of the Committee on Finance, printed in the RECORD.

Mr. SMOOT. Mr. President, inasmuch as the views of the minority are to be printed in the RECORD, I think the majority report ought to go in at the same time, and I ask that it be printed also.

Mr. WALSH of Massachusetts. I have no objection.

There being no objection, the report of the committee and the views of the minority were ordered to be printed in the RECORD, as follows:

[Senate Report No. 665, Seventy-second Congress, first session]

REVENUE BILL OF 1932

Mr. SMOOT, from the Committee on Finance, submitted the following report (to accompany H. R. 10236):

The Committee on Finance, to whom was referred the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, having had the same under consideration, report favorably thereon, with certain amendments, and as amended recommend that the bill do pass.

FEDERAL BUDGET REQUIREMENTS

We are faced with a deficit for the fiscal year 1933 of $1,241,000,000, exclusive of statutory debt retirement. The deficit for the current fiscal year had reached a total of more than $2,300,000,000 by the end of April. We incurred a deficit in 1931 of $903,000,000. By the end of the current fiscal year our public debt will have been increased by more than $3,000,000,000, rising from $16,185,000,000 at the end of the fiscal year 1930 to more than $19,000,000,000 on June 30 of this year.

Although occasional moderate deficits in the operation of a government are to be expected, recurring large deficits must be avoided. Continued reliance upon borrowing, and failure to provide for a balance as between income and expenditures, and eventually for systematic debt reduction, would inevitably undermine the credit of governments as well as individuals. The maintenance of unimpaired credit is essential.

Your committee is unanimous in the conclusion that the indicated deficit for 1933 of $1,241,000,000 (exclusive of debt retirement) must be covered by reduction in expenditures and by the provision of additional revenue. The bill as reported by your committee should make this accomplishment possible. It should increase revenues by $1,010,000,000 during the fiscal year 1933, and it is expected that the Government economy program will reduce expenditures by at least $230,000,000.

It has been suggested that no effort should be made to balance the Budget in one year, that the process of balancing the Budget should be extended over a period of years, and that the intervening deficits should be met by borrowing. Although frequently misunderstood, this is substantially the policy adopted by the House of Representatives and approved by your committee. Last year's deficit was met by borrowing. This year's deficit has been, or will be, met by borrowing. With a deficit of $1,738,000,000 (including statutory debt retirements) in prospect for 1933 and a further large deficit for 1934, it is clear that immediate provision must be made for additional revenue. We would by this bill bring our Budget back into balance in the third year—that is, in 1933—and even then without covering requirements for statutory debt retirements in the amount of $497,000,000. Not until 1934 will our Government, notwithstanding the extraordinary revenue increases carried in the pending bill, obtain adequate revenues to meet current expenditures and also the requirements of the sinking fund.

Your committee has attempted to make its decisions accord with sound principles of taxation—ability to pay, tested either by income or outgo; maximum yields from rates not excessively high; avoidance of unnecessary hardship; prevention of undue disturbances to competitive situations; and a minimum of interference with economic recovery. It is believed that the bill as reported by your committee accords with these principles.

MAIN FEATURES OF BILL AS REPORTED

The more important features of the bill as reported by your committee may be summarized as follows:

(1) The bill will raise additional revenue, through changes in the income-tax rates and administrative provisions, in the amount of $287,000,000 for the fiscal year 1933.

(2) The normal tax rates applicable to individuals are increased to 3 per cent on the first $4,000, 6 per cent on the second $4,000, and 9 per cent on the balance of net income in excess of the exemptions. The exemptions have been reduced to $1,000 in the case of a single person and $2,500 in the case of a married person.

(3) Surtax rates begin at 1 per cent on net income in excess of $6,000 and increase to 45 per cent on net income in excess of $1,000,000.

(4) The corporate rate is increased from 12 to 14 per cent, and the existing exemption for small corporations is eliminated.

(5) The imposition of the normal tax upon corporate dividends, contained in the House bill, is eliminated.

(6) Adequate protection to the revenues against security losses is afforded, and the severity of the provisions of the House bill is mitigated.

(7) The increased estate-tax rates and the gift tax proposed by the House bill are retained.

(8) Duties are imposed upon the importation of oil, coal, lumber, copper, and rubber.

(9) The bill proposes to impose selective manufacturers' excise taxes which will raise during the fiscal year (inclusive of the above duties) $277,500,000.

(10) Many of the excise taxes contained in the House bill have been eliminated, such as the proposed tax on toilet preparations, furs, jewelry, yachts and motor boats, mechanical refrigerators, sporting goods and cameras, firearms and shells, matches, candy, and soft drinks.

(11) The bill will raise $280,000,000 through miscellaneous taxes upon telephone and telegraph messages, admissions, the issue or transfer of bonds or capital stock, conveyances, oil transported by pipe lines, and checks.

(12) Increases in first and second class postal rates and other pending postal legislation will raise $160,000,000, which should be sufficient to make the Postal Service self-supporting.

COMPARISON OF HOUSE BILL AND COMMITTEE BILL

The following table gives in detail a comparison of the provisions and estimated revenues of the bill after its passage in the House of Representatives and the bill as it is reported by your committee:

Comparison of House bill and Finance Committee bill

Item	House bill	Estimated additional revenue, fiscal year 1933	Bill as reported to Senate	Estimated additional revenue, fiscal year 1933
Title I. Income tax:				
Individual—				
Normal tax rates	2, 4, 7 per cent	$29,000,000	3, 6, 9 per cent	$59,000,000
Surtax rates	1 per cent on net income in excess of $6,000 to 40 per cent on net income in excess of $100,000.	93,000,000	House bill increased to 45 per cent on net income in excess of $1,000,000.	96,000,000
Dividends	Subject to normal tax	89,000,000	House provision eliminated	
Total		211,000,000		155,000,000
Corporation—				
Rate	Increased 12 to 13½ per cent	23,900,000	Increased 12 to 14 per cent	31,900,000
Exemption	Reduced to $1,000 net incomes of $10,000 or less	11,500,000	Exemption eliminated	20,100,000
Consolidated return	Additional rate of 1 and ½ per cent	8,000,000	House provision eliminated	
Total		43,400,000		52,000,000
Administrative changes—				
General	Limitation of losses from sales of securities, etc.	100,000,000	Limitation of losses from sales of securities, revised, etc.	78,000,000
Net loss provision	Carry-over of net losses suspended until after 1933.	7,000,000	Net losses carried forward 1 year	(1)
Dividends	Sec. 115 (b)	6,000,000	House provision eliminated	
	Sec. 115 (d)	2,000,000	Same as House bill	2,000,000
	Dividends, normal tax on foreign corporations and nonresident aliens.	3,000,000	House provision eliminated	
Depletion	Allowance revised	1,000,000	Further revised	(1)
Total		119,000,000		80,000,000
Title II. Estate tax	Additional estate tax	[2] 20,000,000	Same as House bill	(3)
Title III. Gift tax	Rates ¾ of 1 to 33½ per cent	[4] 5,000,000	do	[4] 5,000,000

[1] Negligible.
[2] Assuming collections beginning May 1, 1933.
[3] Assuming collections beginning after June 30, 1933.
[4] Assuming tax effective beginning July 1, 1932.

Comparison of House bill and Finance Committee bill—Continued

Item	House bill	Estimated additional revenue, fiscal year 1933	Bill as reported to Senate	Estimated additional revenue, fiscal year 1933
Title IV. Manufacturers' excise taxes:				
Lubricating oils	4 cents per gallon	$35,000,000	Same as House bill	$35,000,00
Brewers' wort	15 cents and	46,000,000	15 cents per gallon	97,000,000
Malt sirup	35 cents per gallon		3 cents per pound	
Grape concentrates	40 per cent		20 cents per gallon	
Imported oil, etc	Gasoline, fuel oil, crude oil, 1 cent per gallon	5,000,000	Gasoline, 2½ cents per gallon; crude oil and fuel oil, ½ cent per gallon; lubricating oil, 4 cents per gallon; paraffin, 1 cent per pound; asphalt and bitumen, 10 cents per 100 pounds.	5,000,000
Imported coal	10 cents per 100 pounds	500,000	Same as House bill	500,000
Imported lumber	No provision		$3 per 1,000 feet	1,000,000
Imported copper	do		4 cents per pound	(3)
Imported rubber	do		5 cents per pound	53,000,000
Toilet preparations	10 per cent	20,000,000	House provision eliminated	
Furs	do	15,000,000	do	
Jewelry	do	15,000,000	do	
Passenger automobiles	3 per cent	44,000,000	4 per cent	58,000,000
Trucks	2 per cent	4,000,000	3 per cent	6,000,000
Parts and accessories	1 per cent	8,000,000	2 per cent, tires and tubes exempt	9,000,000
Yachts and motor boats	More than $15, 10 per cent	500,000	House provision eliminated	
Radio and phonograph equipment and accessories.	5 per cent	11,000,000	Same as House bill	11,000,000
Mechanical refrigerators	do	6,000,000	House provision eliminated	
Sporting goods and cameras	10 per cent	6,500,000	do	
Firearms and shells	do	2,500,000	do	
Matches	4 cents per thousand	11,000,000	do	
Candy	5 per cent	12,000,000	do	
Chewing gum	do	3,000,000	3 per cent	2,000,000
Soft drinks	On general basis, 1921 act	10,000,000	House provision eliminated	
Total		255,000,000		277,500,000
Title V. Miscellaneous taxes:				
Part I. Telephone, telegraph messages, etc.	5 cents, messages costing 31 to 49 cents; 10 cents, messages costing 50 cents or more.	33,000,000	Telephone: 10 cents, messages costing 50 cents to $1; 15 cents, $1 to $2; 20 cents, $2 and more; telegraph, 5 per cent; cable and radio, 10 cents.	24,000,000
Part II. Admissions	1 cent per 10 cents on admissions over 45 cents	40,000,000	1 cent per 10 cents on admissions over 10 cents; 25 per cent, horse and dog races.	110,000,000
Part III. Stamp taxes—				
Issues of bonds or capital stock	10 cents per $100	8,000,000	Same as House bill	8,000,000
Transfers of stock, etc	4 cents per $100 par value or 4 cents per share no par, but not less than one-fourth of 1 per cent; 4 cents to apply to loans of stock.	70,000,000	4 cents per $100 par value or 4 cents per share no par.	22,000,000
Transfers of bonds, etc	2 cents per $100 par value but not less than one-eighth of 1 per cent.	25,000,000	4 cents per $100 par value	5,000,000
Conveyances	50 cents on $100–$500; 50 cents per $500 in excess	10,000,000	Same as House bill	10,000,000
Sales of produce for future delivery.	5 cents per $100	6,000,000	House provision eliminated	
Part IV. Oil transported by pipe line.	8 per cent of charge	20,000,000	3 per cent of charge	6,000,000
Part V—				
Leases of safe deposit boxes	10 per cent of rental	1,000,000	House provision eliminated	
Checks	No provision		2 cents each	95,000,000
Part VI. Cigarette papers	do		Per package, etc., of 25 or less papers, one-half cent.	(1)
Total		213,000,000		280,000,000
Total additional taxes		866,400,000		849,500,000
Title VIII. Increased postage rates otherpostal provisions.	Increase 1 cent in first-class postage, etc	[6] 165,500,000	Increase 1 cent in first-class postage; increase on second-class matter, etc.	160,000,000
Total additional taxes and postal revenues.		1,031,900,000		1,009,500,000
Required to balance Budget (excluding debt retirement).		1,241,000,000		1,241,000,000
Required reduction in expenditures to balance Budget (excluding debt retirement).		209,100,000		231,500,000

[1] Negligible.
[3] Estimate not available.
[6] Estimate of Committee on Ways and Means, which includes estimated effect on Budget of H. R. 10236 and of other bills recently passed by House.

On the basis of the House estimates, the bill as passed by the House would raise $1,031,900,000. It will be noted, however, that these estimates include $20,000,000 for the increased estate tax, which, in view of the delayed enactment of the new legislation, does not now seem justified and has therefore been excluded from the summary of the bill as reported by your committee, although the estate tax rates are identical in both bills. Moreover, the prospective yield of pending postal legislation included in the summary of the House bill would be reduced by $10,500,000 by the latest estimates of the Post Office Department. These two changes would reduce the estimated yield of the House bill from $1,031,900,000 to $1,001,400,000, as compared with an estimated yield of $1,009,500,000 for the bill as reported by your committee.

INCREASE IN INDIVIDUAL RATES

The present law imposes normal tax rates upon net incomes of individuals, of 1½ per cent upon the first $4,000, 3 per cent upon the second $4,000, and 5 per cent upon the remainder. The House bill provided increases to 2, 4, and 7 per cent, respectively, and your committee recommends rates of 3, 6, and 9 per cent. Surtax rates under existing law begin at 1 per cent upon income of $10,000, and are graduated to 20 per cent upon income in excess of $100,000. The House bill imposes a rate of 1 per cent upon income in excess of $6,000, increasing the rate to 40 per cent upon income in excess of $100,000. The bill as reported by your committee adopts the rates of the House bill, but extends them up to 45 per cent upon income in excess of $1,000,000. The credit for earned income, for administrative simplicity, is changed from a tax credit to an exemption from normal tax. The maximum earned income under existing law is $30,000, and under the House bill and the bill as reported, is $12,000.

As a result of these provisions, a somewhat broader base is given to our income tax structure; somewhat larger taxes will be expected from those able to pay; and the Government revenues will be increased appreciably. At the same time, the proposed rates will not impose an undue burden upon any class of taxpayers. Persons with moderate means, notwithstanding the increases, will be called upon to pay only a relatively insignificant proportion of their income.

The tables following give a comparison of the tax liabilities of individuals under the existing law, the House bill, and the bill as reported by your committee.

INCOME TAX, INDIVIDUAL

Comparison of tax payable under the revenue act of 1928, the revenue bill of 1932, as passed by the House, and the Finance Committee bill

MARRIED PERSON WITH NO DEPENDENTS—$5,000 EARNED-INCOME ALLOWANCE

Net income	Tax under 1928 act	Tax under House bill	Tax under Finance Committee bill
$1,000	0	0	0
$2,000	0	0	0
$3,000	0	$2.50	$3.75

Comparison of tax payable under the revenue act of 1928, the revenue bill of 1932, as passed by the House, and the Finance Committee bill—Continued

MARRIED PERSON WITH NO DEPENDENTS—$5,000 EARNED-INCOME ALLOWANCE—Continued

Net income	Tax under 1928 act	Tax under House bill	Tax under Finance Committee bill
$4,000	$5.63	$20.00	$30.00
$5,000	16.88	37.50	56.25
$6,000	31.88	57.50	86.25
$7,000	46.88	87.50	126.25
$8,000	69.38	135.00	192.50
$9,000	99.38	185.00	262.50
$10,000	129.38	235.00	332.50
$12,000	219.38	381.25	518.75
$14,000	339.38	561.25	738.75
$16,000	479.38	761.25	978.75
$18,000	639.38	981.25	1,238.75
$20,000	819.38	1,221.25	1,518.75
$22,000	1,019.38	1,481.25	1,818.75
$24,000	1,239.38	1,761.25	2,138.75
$26,000	1,479.38	2,061.25	2,478.75
$28,000	1,719.38	2,381.25	2,838.75
$30,000	1,979.38	2,721.25	3,218.75
$35,000	2,659.38	3,661.25	4,258.75
$40,000	3,399.38	4,721.25	5,418.75
$45,000	4,209.38	5,911.25	6,708.75
$50,000	5,079.38	7,221.25	8,118.75
$60,000	6,999.38	10,221.25	11,318.75
$70,000	9,159.38	13,721.25	15,018.75
$80,000	11,459.38	17,721.25	19,218.75
$90,000	13,859.38	22,071.25	23,768.75
$100,000	16,259.38	26,621.25	28,518.75
$150,000	28,759.38	50,121.25	53,018.75
$200,000	41,259.38	73,621.25	78,018.75
$300,000	66,259.38	120,621.25	128,518.75
$500,000	116,259.38	214,621.25	230,518.75
$1,000,000	241,259.38	449,621.25	493,018.75

SINGLE PERSON—$5,000 EARNED-INCOME ALLOWANCE

$1,000	0	0	0
$2,000	$5.63	$15.00	$22.50
$3,000	16.88	32.50	48.75
$4,000	28.13	50.00	75.00
$5,000	39.38	67.50	101.25
$6,000	61.88	95.00	142.50
$7,000	91.88	145.00	212.50
$8,000	121.88	195.00	282.50
$9,000	151.88	245.00	352.50
$10,000	191.88	306.25	433.75
$12,000	311.88	486.25	653.75
$14,000	431.88	666.25	873.75
$16,000	571.88	866.25	1,113.75
$18,000	731.88	1,086.25	1,373.75
$20,000	911.88	1,326.25	1,653.75
$22,000	1,111.88	1,586.25	1,953.75
$24,000	1,331.88	1,866.25	2,273.75
$26,000	1,571.88	2,166.25	2,613.75
$28,000	1,811.88	2,486.25	2,973.75
$30,000	2,071.88	2,826.25	3,353.75
$35,000	2,751.88	3,766.25	4,393.75
$40,000	3,491.88	4,826.25	5,553.75
$45,000	4,301.88	6,016.25	6,843.75
$50,000	5,171.88	7,326.25	8,253.75
$60,000	7,091.88	10,326.25	11,453.75
$70,000	9,251.88	13,826.25	15,153.75
$80,000	11,551.88	17,826.25	19,353.75
$90,000	13,951.88	22,176.25	23,903.75
$100,000	16,351.88	26,726.25	28,653.75
$150,000	28,851.88	50,226.25	53,153.75
$200,000	41,351.88	73,726.25	78,153.75
$300,000	66,351.88	120,726.25	128,653.75
$500,000	116,351.88	214,726.25	230,653.75
$1,000,000	241,351.88	449,726.25	493,153.75

MARRIED PERSON WITH NO DEPENDENTS—MAXIMUM EARNED-INCOME ALLOWANCE

$1,000	0	0	0
$2,000	0	0	0
$3,000	0	$2.50	$3.75
$4,000	$5.63	20.00	30.00
$5,000	16.88	37.50	56.25
$6,000	28.13	55.00	82.50
$7,000	39.38	82.50	118.75
$8,000	56.25	120.00	170.00
$9,000	78.75	165.00	232.50
$10,000	101.25	210.00	295.00
$12,000	168.75	320.00	440.00
$14,000	258.75	500.00	660.00
$16,000	363.75	700.00	900.00
$18,000	483.75	920.00	1,160.00
$20,000	618.75	1,160.00	1,440.00
$22,000	768.75	1,420.00	1,740.00
$24,000	933.75	1,700.00	2,060.00
$26,000	1,113.75	2,000.00	2,400.00
$28,000	1,293.75	2,320.00	2,760.00
$30,000	1,488.75	2,660.00	3,140.00
$35,000	2,168.75	3,600.00	4,180.00
$40,000	2,908.76	4,660.00	5,340.00
$45,000	3,718.75	5,850.00	6,630.00
$50,000	4,588.75	7,160.00	8,040.00
$60,000	6,508.75	10,160.00	11,240.00

Comparison of tax payable under the revenue act of 1928, the revenue bill of 1932, as passed by the House, and the Finance Committee bill—Continued

MARRIED PERSON WITH NO DEPENDENTS—MAXIMUM EARNED-INCOME ALLOWANCE—Continued

Net income	Tax under 1928 act	Tax under House bill	Tax under Finance Committee bill
$70,000	$8,668.75	$13,660.00	$14,940.00
$80,000	10,968.75	17,660.00	19,140.00
$90,000	13,368.75	22,010.00	23,690.00
$100,000	15,768.75	26,560.00	28,440.00
$150,000	28,268.75	50,060.00	52,940.00
$200,000	40,768.75	73,560.00	77,940.00
$300,000	65,768.75	120,560.00	128,440.00
$500,000	115,768.75	214,560.00	230,440.00
$1,000,000	240,768.75	449,560.00	492,940.00

SINGLE PERSON—MAXIMUM EARNED-INCOME ALLOWANCE

$1,000	0	0	0
$2,000	$5.63	$15.00	$22.50
$3,000	16.88	32.50	48.75
$4,000	28.13	50.00	75.00
$5,000	39.38	67.50	101.25
$6,000	56.25	90.00	135.00
$7,000	78.75	135.00	197.50
$8,000	101.25	180.00	260.00
$9,000	123.75	225.00	322.50
$10,000	153.75	270.00	385.00
$12,000	243.75	425.00	575.00
$14,000	333.75	605.00	795.00
$16,000	438.75	805.00	1,035.00
$18,000	558.75	1,025.00	1,295.00
$20,000	693.75	1,265.00	1,575.00
$22,000	843.75	1,525.00	1,875.00
$24,000	1,008.75	1,805.00	2,195.00
$26,000	1,188.75	2,105.00	2,535.00
$28,000	1,368.75	2,425.00	2,895.00
$30,000	1,563.75	2,765.00	3,275.00
$35,000	2,243.75	3,705.00	4,315.00
$40,000	2,983.75	4,765.00	5,475.00
$45,000	3,793.75	5,955.00	6,765.00
$50,000	4,663.75	7,265.00	8,175.00
$60,000	6,583.75	10,265.00	11,375.00
$70,000	8,743.75	13,765.00	15,075.00
$80,000	11,043.75	17,765.00	19,275.00
$90,000	13,443.75	22,115.00	23,825.00
$100,000	15,843.75	26,665.00	28,575.00
$150,000	28,343.75	50,165.00	53,075.00
$200,000	40,843.75	73,665.00	78,075.00
$300,000	65,843.75	120,665.00	128,575.00
$500,000	115,843.75	214,665.00	230,575.00
$1,000,000	240,843.75	449,665.00	493,075.00

INCREASE IN CORPORATION TAX

The existing law imposes a tax of 12 per cent upon the net income of corporations. The House bill increased this rate to 13½ per cent. The bill now reported proposes to increase the rate to 14 per cent. The committee appreciates the fact that even the existing corporate rate is somewhat out of line with our other income-tax rates. Furthermore, the corporate rate has been maintained at a relatively high level since the war. Nevertheless, your committee believes that additional revenue from corporations is necessary.

The existing law grants to corporations having a net income of $25,000 or less an exemption of $3,000. The House bill proposed to decrease this exemption to $1,000 and made it applicable to corporations having net income of $10,000 or less. Your committee recommends that the exemption be eliminated entirely. It is believed that every corporation having net income, irrespective of the size of that net income, is in a position to contribute to the revenue needs of the Government.

CONSOLIDATED RETURNS

The House bill proposed an additional tax of 1½ per cent upon the net income of an affiliated group of corporations which elected to file a consolidated return. Your committee recommends that this additional tax be eliminated. It sees no justification for it. The provisions for consolidated returns under the present law and regulations recognize sound accounting practices and require tax liabilities to be determined on the basis of the true net income of the enterprise as a whole. No improper benefits are obtained from the privilege. Your committee believes that it is highly desirable, both from the point of view of the administration of our tax laws and the convenience of the taxpayer, that the filing of consolidated returns by affiliated groups of corporations be continued, praticularly in view of the changes made in the revenue act of 1928 and in the regulations promulgated by the Secretary of the Treasury thereunder. It is difficult to justify the exaction of a price for the use of this form of return.

Your committee made a very exhaustive study and analysis of the entire subject of tax liabilities of affiliated groups of corporations during its consideration of the revenue bill of 1928. Its conclusions are set forth in its report upon the revenue bill of 1928. It seems unnecessary to repeat them at the present time.

NORMAL TAX ON DIVIDENDS

Under all the revenue acts since 1913, dividends received by individuals have been exempt from normal tax. The purpose of the exemption is to prevent a second imposition of the basic normal tax upon the earnings and profits of corporations at the time of their distribution to stockholders. The House bill proposed to remove this exemption. Your committee believes that even the exigencies of the present situation do not justify double taxation of this nature and recommends that the exemption under the existing law be continued.

LIMITATION UPON SECURITY LOSSES

The House bill adopted very severe limitations upon the allowance of losses from the sale of securities, as a deduction in computing net income. The provision was based upon a twofold policy: (1) Protecting the revenues from the growing practice of reducing tax liabilities by the sale of securities on which losses had accrued, and (2) preventing speculative losses from wiping out ordinary income, which represents real tax-paying ability.

Your committee is of the opinion, however, that the House bill went much farther than the situation necessitated. Securities held for more than two years have been in the hands of investors. The losses they have suffered are decidedly real losses. Investments of this nature normally have been made from income upon which a tax was paid at the time it was earned. The shrinkage in the value of these investments is in every sense of the word a true loss actually sustained by the investor. The existing limitation, that capital losses can not reduce the tax by more than 12½ per cent, is adequate protection against excessive deductions. Accordingly, your committee is of the opinion that no change in this respect should be made in the existing law.

A somewhat different situation exists with respect to losses realized from the sale of securities held by the taxpayer for less than two years. These losses should properly be permitted only as an offset against gains from securities held for less than two years. But undue hardship under existing conditions should be avoided. Your committee believes that security gains and losses should be segregated, that security losses should be deducted solely from security gains; but that security gains should not be taxed until they actually exceed security losses. Accordingly, it is provided that any excess of the security losses in any year should be allowed, subject to certain necessary limitations, as a deduction against security gains in the subsequent year.

NET LOSSES

The net loss provision of the existing law is one of the essential protections against excessive hardships inherent in a tax based upon an arbitrary annual accounting. Tax-paying ability does not exist if a substantial part of a year's profits is required to cover a prior year's losses. The existing law is equitable and fair. The House bill proposed to eliminate it. Your committee recommends that the existing law be retained, but limited to a carry-over for but one year, rather than for two years.

ESTATE AND GIFT TAXES

The existing estate-tax rates are more than doubled. They are extended to 45 per cent, as compared with a maximum rate under the existing law of 20 per cent. The increase is not subject to the 80 per cent credit for State estate and inheritance taxes. As a protection to both estate and income taxes, a gift tax is imposed. The rates are approximately three-quarters of the estate-tax rates. The committee recommends no change.

MISCELLANEOUS EXCISE TAXES

The bill, as it passed the House, contains a large number of special excise taxes. Many of these taxes will produce very little revenue, involve difficulties of administration, and fall within the type frequently designated "nuisance taxes." Your committee is of the opinion that it would be much sounder to select a smaller group of commodities, impose rates which will raise the required revenues, and eliminate many of the minor taxes proposed by the House bill. In selecting the subjects of tax, your committee attempted, as far as possible, to prevent undue burdens upon any particular industry; to guard against disturbances to competitive situations; to select commodities the purchase of which would indicate taxpaying ability; to impose taxes capable of simple and inexpensive administration; and to select commodities which would yield fairly substantial revenues.

Your committee quite appreciates the fact that each particular industry selected feels very keenly that it should be exempt from tax and the necessary revenue collected elsewhere. However, your committee is confronted with the necessity of raising more than $700,000,000 through selective excise or miscellaneous taxes. The field of selection is necessarily limited. Important industries must be included. Your committee appreciates that the industries selected, in common with all other industries, have been and are seriously affected by the depression and consequent decreases in business activity and profits. It is realized that additional burdens at this time may seem unjustifiable and almost insurmountable. It is not believed, however, that taxes at the rates proposed by the bill as reported by your committee impose undue burdens upon industry and commerce or will seriously retard a return to normal business conditions. The required revenues must be raised. Benefits to be derived from the reestablishment of Federal finances upon an unquestionably sound basis far surpass any possible disadvantages from the burden of additional taxes.

MISCELLANEOUS TAXES

The bill as reported by your committee includes a number of miscellaneous taxes, among them the tax on admissions which is levied, with certain relatively minor exceptions, at a rate of 1 cent per 10 cents on each admission in excess of 10 cents. The rate of tax is the same as under existing law and as provided in the House bill. The present law, however, provides an exemption of $3 and the House bill exempts admissions of 45 cents or less.

Although realizing the importance of recreation afforded by theater entertainments, which constitute the principal subject of this tax, your committee believes that theater attendance even at low prices indicates definite tax-paying ability and considers that admissions provide a basis for tax, the incidence of which would be broadly distributed, and the burden of which would not be particularly heavy at the rates proposed. In the existing emergency a tax of 2 cents on a 20-cent admission or a tax of 3 cents on a 30-cent admission would not seem to constitute unduly burdensome contributions to the support of the Federal Government.

By reason of the fact that a great volume of theater charges fall below the exemption provided in the House bill, it is recommended that the tax be applied to all admissions in excess of 10 cents. The proposed tax is estimated to yield $110,000,000 for the fiscal year 1933, as compared with $40,000,000 estimated to be the tax obtained in the House bill. In view of the large amount of revenue to be obtained from the tax which your committee proposes, it is believed that the tax is definitely justified as a part of an emergency program.

The existing law provides for a tax of 2 cents per $100 of par value or per share of no par value on the transfer of stocks. The bill passed by the House raised this tax to 4 cents per $100 of par value or per share of no par value, the tax not to be less than one-fourth of 1 per cent of the sale price and to apply to loans of stock. Your committee concluded upon careful consideration that one-fourth of 1 per cent constituted an excessive tax and that the application of the tax to loans of securities, while increasing the tax in the case of short sales, would at the same time unduly interfere with other classes of operations requiring the loaning of securities—for example, in the case of sales of securities by persons living at a distance and, consequently, unable to make immediate delivery. It recommends, therefore, that the present tax be doubled and the rate increased to 4 cents per $100 of par value or per share of no par value.

The existing law contains no provision for tax on the transfer of bonds. The House bill provides for a tax of 2 cents per $100 or par value but not less than one-eighth of 1 per cent of the sale price on transfers of bonds. Since most bond transactions involve bearer securities, the administration of a tax based on a percentage of the sale price of such securities would be difficult. In addition, it is believed that the levy was excessive. Your committee, therefore, recommends a tax of 4 cents per $100 of par value.

TECHNICAL AND ADMINISTRATIVE PROVISIONS

TITLE I.—INCOME TAX

SECTION 1. APPLICATION OF TITLE

The proposed bill follows the general plan and arrangement of the revenue act of 1928. The proposed income-tax title is made applicable to 1932 and subsequent taxable years. The income-tax title of the 1928 act is not repealed by the bill and remains in force for the collection of taxes for the taxable years 1928 to 1931, inclusive.

The reference to section 811 (c) contained in the House bill is omitted by your committee, due to the fact that section 811 of the House bill has been stricken from the bill as reported.

SECTION 12 (C), CLERICAL

This change in a cross reference is made necessary by the change in income-tax rates applicable to individuals.

SECTION 12 (E). ADDITIONAL TAX ON EXCESSIVE COMPENSATION FOR PERSONAL SERVICES

Your committee believes that the large amounts of compensation, particularly in the form of bonuses, emoluments, and rewards frequently paid to the officials of corporations are greatly in excess of reasonable compensation for the services actually performed. Accordingly it recommends a higher tax upon the excess of such compensation over a reasonable amount. Your committee believes that under present circumstances compensation, to the extent that it exceeds compensation at the rate of $75,000 per year, should not be regarded as reasonable compensation for income-tax purposes, and that any bonus, emolument, or reward (whether taking the form of cash, stock, stock rights, securities, or any other property), exceeding compensation at that rate should be subject to a higher rate of tax, fixed by your committee at 80 per cent of such excess. The 80 per cent tax provided in this subsection is in lieu of all other taxes under the income-tax title in respect of the excess; that is, the excess should be excluded from the income subject to ordinary normal and surtax rates.

SECTION 22 (A). COMPENSATION OF PRESIDENTS AND JUDGES

This section has been amended to make it clear that compensation of the President of the United States and of judges of courts of the United States taking office after the date of the enactment of this bill is to be included in gross income. To effectuate that purpose, in cases in which the compensation for any such office has been provided in acts antedating the present bill, it is provided that all acts fixing the compensaton of such President and judges are by this provision amended so that in every case such compensation will be reduced by the amount of the Federal income tax resulting from the inclusion in gross incomes of the amount of such compensation.

SECTION 22 (B). DIVIDENDS OR INTEREST FROM DOMESTIC BUILDING AND LOAN ASSOCIATIONS

The present law exempts domestic building and loan associations from all taxation and, in addition, exempts from tax $300 in interest or dividends received by an individual from such associations. While your committee does not desire to disturb the exemption granted under the present law to domestic building and loan associations themselves, it sees no reason why interest and dividends received from such associations should not be taxable to the recipient like any other investment income, such as interest on bank deposits and dividends from ordinary corporations. Accordingly, the exemption allowed under section 22 (b) (7) of the present law is omitted from the proposed bill.

SECTION 22 (B). PENSIONS AND WORLD WAR COMPENSATION PAYMENTS

Your committee sees no valid reason for continuing the exemption in case of pensions and World War compensation payments granted by existing law, since it is believed that the credits for personal exemption and dependents provided in section 25 are adequate to take care of virtually all cases and that such amounts, if and to the extent they constitute income, should bear their portion of the tax.

SECTION 22 (B) (4). TAX-FREE INTEREST

The change in this section is made to bring the language of the section into accord with the clarifying change made in section 23 (b) pertaining to deductions of interest from gross income.

SECTION 22 (B) (7). CLERICAL

This is a clerical change occasioned by the repeal of section 16 (a) of the House bill relating to earned income from sources without the United States.

SECTION 23 (A). COMPENSATION FOR PERSONAL SERVICES

Your committee is of the opinion that the payment of any compensation to any person of an amount which exceeds compensation at the rate of $75,000 per year should be regarded, for income-tax purposes, as in excess of reasonable compensation for personal services actually rendered, and for that reason has amended this section by prohibiting a deduction of the amount by which any compensation of any person for personal services exceeds compensation at the rate of $75,000 per year.

SECTION 23 (B). INTEREST

Section 23 (b) has been clarified by a change in wording to indicate that no deduction may be taken for interest on indebtedness incurred or continued to carry obligations the interest on which is exempt from the taxes imposed by the income-tax title. This is simply a clarifying change and is not intended to alter the existing law. A corresponding change has been made in section 204 (c) (8).

SECTION 23 (C) (2). DEDUCTION FOR FOREIGN INCOME TAXES

The existing law allows a deduction in computing net income of so much of the income, war-profits, and excess-profits taxes paid to a foreign country as is not allowed as a credit against the tax due the United States. In thus allowing both a credit and a deduction preferential treatment is frequently given to taxpayers receiving income from foreign sources. For example, a domestic corporation derives income of $100,000 from sources in the United States and $100,000 from sources in Great Britain. Such corporation pays to Great Britain a tax of $25,000 upon its British income. Under the present law this taxpayer is allowed a credit of $12,000 against its tax due this country and, in addition, a deduction of $13,000 (the balance of its British tax) from its United States income. Since the entire foreign income is, in effect, excluded from the taxpayer's gross income because of the allowance of the credit for foreign taxes, the result of the additional deduction is that the taxpayer fails to pay a full tax upon its income from domestic sources. As your committee believes that a full tax should be paid upon income from sources within the United States, the section has been amended to deny a deduction for foreign taxes in all cases where the taxpayer has indicated on the return an intention of claiming a credit for foreign taxes under section 131.

To make it clear that a taxpayer who in respect to any taxable year claims credit under section 131 for any foreign taxes is thereby precluded from obtaining a deduction under this section for any other foreign taxes, your committee has amended the House bill by the additions of the words "to any extent."

SECTION 23 (E), (F). CLERICAL

These amendments are made necessary by the insertion in the House bill of subsections 23 (r), (s), and (t) and by the elimination by your committee from the House bill of subsections (s) and (t) of that bill.

SECTION 23 (E) (3). CASUALTY LOSS CLAIMED AS DEDUCTION FOR ESTATE-TAX PURPOSES

Section 805 of the House bill provided that certain casualty losses incurred during the settlement of a decedent's estate should not be allowed as deductions for estate-tax purposes for the reason that they were allowable for income-tax purposes. Whether such losses should be allowed for purposes of the income or the estate tax depends largely upon the circumstances of the particular case, and your committee believes that an option should be given as to whether the deduction for losses of this character should be taken for one tax or for the other. To prevent any duplication of deductions it is provided that the deduction for income-tax purposes may be allowed only if at the time of the filing of the return no deduction has been claimed for such loss in a return of the estate tax. A corresponding limitation upon any deduction for estate-tax purposes has been inserted in the amendment to section 303 (a) (1) of the revenue act of 1926 made by section 805 of the bill. For example, a decedent dies leaving a will under which he devises an office building to X. The building, uninsured, burns down and X claims a deduction for the loss in his income-tax return. The executor of the estate will not be entitled to a deduction for the loss in determining the net estate reported in the estate-tax return thereafter filed. However, if the estate-tax return claiming the deduction is first filed, X will not be entitled to the loss deduction in his income-tax return.

SECTION 23 (G). CLERICAL

This is one of the series of amendments discussed in connection with section 111 (a) on a later page of this report.

SECTION 23 (I). CLERICAL

This is a change made necessary by the proposed amendment to section 117, relating to net losses.

SECTION 23 (L). DEPLETION

The House bill requires a change in the annual depletion allowance where a new estimate of the number of the recoverable units is made in the light of subsequent events. The effect of the amendment is shown by the following example:

A purchased for $1,000 an ore body with estimated recoverable units of 1,000. He removes 500 units and takes depletion deductions aggregating one-half of his cost, or $500. Subsequently it is ascertained that there remain in the mine 1,500 recoverable units and the original estimate of 1,000 recoverable units is revised. Under the amendment, his unrecovered cost ($1,000 less $500) would be spread over the revised estimate of the recoverable units (1,500) with the result that on each unit thereafter removed he would be allowed a depletion deduction of 33⅓ cents per unit instead of $1 per unit.

The provision in the House bill has been amended so as to make it clear that it is also to apply where the revision of the estimate of recoverable units results from day-to-day operations.

The cross reference contained in the House bill to section 114 (b) (3) relating to percentage depletion is changed in view of the fact that percentage depletion has been extended to metal mines as well as to sulphur and oil and gas wells.

SECTION 23 (N) (3). CLERICAL

This is a clerical amendment made necessary because section 7 of the vocational rehabilitation act has been superseded by section 12 of the World War veterans' act, 1924.

SECTION 23 (P) (1). DIVIDENDS RECEIVED BY A CORPORATION FROM AN EXEMPT CORPORATION

Dividends received by a corporation are allowed as a deduction in computing the net income of a corporation, upon the theory that a corporate tax has already been paid upon the earnings out of which the dividends are distributed. Where, however, the distributing corporation is exempt from tax, there is no reason why the dividends should be deducted from the gross income of the stockholder corporation. Accordingly the existing law has been changed to deny the deduction in such a case.

SECTION 23 (Q). CONTRIBUTIONS TO PENSION TRUSTS UNDER 1928 ACT

An amendment to the House bill has been inserted to make sure that any deduction allowable under the corresponding subsection of the 1928 act and apportioned under that act to any year or years subsequent to 1931 may be allowed for any taxable year covered by the bill.

SECTION 23 (R), (S), AND (T). LIMITATION ON STOCK LOSSES

There are no provisions in existing law corresponding to section 23 (r), (s), and (t). Many taxpayers have been completely or partially eliminating from tax their income from salaries, dividends, rents, etc., by deducting therefrom losses sustained in the stock and bond markets, with serious effect upon the revenue. It is apparent that a number of these losses are taken for the sole purpose of tax avoidance.

The House bill, in recognition of this situation, provided for the disallowance of all losses sustained on the sales of stocks and bonds to the extent that such losses exceeded the gains from similar transactions. Losses on stocks or bonds held over two years were offset against gains on such assets held over two years, and losses on the sales of stocks or bonds held two years or less were offset against gains on such assets held two years or less. Subject to certain limitations, an excess of losses over gains in one of the above-mentioned groups could be offset against the gains in the other group. The amount of the losses not allowed within the taxable year in no case could be carried forward to the succeeding year.

Your committee, while in general agreement with the purpose of the House bill, believes that the method adopted to carry out this purpose is somewhat too drastic in that it penalizes pure investment losses as well as mere speculative losses.

As now drafted the limitation that losses on stocks and bonds can only be taken to the extent of gains from similar transactions is confined to the sale of such securities which have been held for two years or less. Gains or losses arising from the sale for stocks and bonds held for over two years are in all cases treated precisely as under present law, whether such losses are incurred by a corporation or an individual. In this connection it should be stated that such losses are already subject to a very considerable limitation for tax purposes, inasmuch as, in the case of an individual, the reduction in tax can not exceed 12½ per cent of such losses.

Since the individual may pay a tax as high as 54 cents on the dollar under the rates proposed by your committee, the fact that the 12½ per cent limitation applies may reduce the advantage of a given loss for tax purposes by more than 75 per cent. Further limitation appears unnecessary in view of the above and because of the fact that these transactions are usually nonspeculative in character.

The method recommended by your committee in dealing with transactions in stocks and bonds held for two years or less, which obviously comprise the bulk of speculative transactions, may be stated as follows: The excess of losses over gains in these transactions is not allowed as a deduction against other income, but such excess may be carried forward and applied against gains from similar transactions in the subsequent year; provided, first, that there is deducted from said excess the amount of any losses brought forward from the preceding year; and, second, that the remainder may not be carried forward in an amount exceeding the net income of the taxpayer for the current taxable year. The reason for the first limitation is to restrict the carry-over to one year. The reason for the second limitation is to prevent the taxpayer from obtaining a deduction in the subsequent year for stock losses of the current year, which losses under existing law would have resulted in no tax benefit to the taxpayer in the current year because of the absence in such year of income against which to take the losses.

In this discussion of the limitation on stock losses, stocks and bonds held by a taxpayer primarily for sale in the course of his trade or business are treated as stocks and bonds held for two years or less, regardless of the time for which they may have been held.

The effect of these provisions may be illustrated by the following examples, wherein the terms 1-year losses and 1-year gains are used to denote losses or gains from the sale of stocks and bonds held for two years or less:

Case No. 1 (a).—Individual return 1932

Net income from salaries, dividends, rents	$50,000
Excess of 1-year losses over 1-year gains for 1932	100,000
1-year losses brought forward from prior year	(1)
Taxable income (present law)	-------
Taxable income (House bill)	50,000
Taxable income (Finance Committee bill)	50,000
Amount allowed as carry-over (Finance Committee bill)	50,000

In the above case it will be noted that the carry-over is limited to the net income; that is, to $50,000, although the 1-year losses not deducted in 1932 amount to $100,000. The taxable income is the same under the House bill and the Finance Committee bill.

Case No. 1 (b).—Individual return, 1933

Net income from salaries, dividends, rents	$100,000
Excess of 1-year losses over 1-year gains, computed without regard to the carry-over from 1932	75,000
1-year losses brought forward from 1932	50,000
Taxable income (present law)	25,000
Taxable income (House bill)	100,000
Taxable income (Finance Committee bill)	100,000
Amount allowed as carry-over (Finance Committee bill)	75,000

In the above case it will be noted that the net income limitation on the carry-over does not operate to cut down the amount of the carry-over, which is $75,000, i. e., the excess of 1-year losses over 1-year gains in 1933 computed without regard to the $50,000 carry-over from 1932.

Case No. 1 (c).—Individual return, 1934

Net income from salaries, dividends, rents	$150,000
Excess of 1-year gains over 1-year losses, computed without regard to the carry-over from 1933	65,000
1-year losses brought forward from 1933	75,000
Taxable income (present law)	215,000
Taxable income (House bill)	215,000
Taxable income (Finance Committee bill)	150,000
Amount allowed as carry-over (Finance Committee bill)	--------

In the above case it will be noted that the carry-over from 1933 is sufficient to eliminate from tax the 1-year gains of $65,000 in 1934, but that there will be no carry-over to 1935. The taxable income under the House bill is $215,000 and under the Finance Committee bill $150,000, showing some measure of relief to compensate for the denial of losses in the preceding year.

If cases 1 (a), 1 (b), and 1 (c) are surveyed as a whole, it will be found that over a 3-year period the individual under present law would pay taxes on $240,000, under the House bill on $365,000, and under the Finance Committee bill on $300,000.

Case No. 2.—Corporation, 1933

Operating net income	$200,000
Losses from sale of stocks and bonds held over 2 years	100,000
Excess of 1-year gains over 1-year losses, computed without regard to the carry-over from 1932	50,000
1-year losses brought forward from 1932	25,000
Taxable income (House bill)	200,000
Taxable income (Finance Committee bill)	125,000
Carry-over to 1934 (Finance Committee bill)	--------

It will be noted in the above case that the corporation under the Finance Committee bill secures substantial relief over the results obtained by the House bill.

[1] None allowable.

The exemption from the restrictions of these provisions provided for in the House bill is retained in the case of a dealer in securities (i. e., a merchant of securities whether an individual, partnership, or corporation, with an established place of business, regularly engaged in the purchase of securities at wholesale and their resale to customers); in the case of losses sustained in connection with transactions with customers in the regular course of business. Your committee recommends extending this exemption to banks and trust companies incorporated under the laws of the United States or of any State or Territory, since it appears that such institutions should receive as favorable treatment as the dealers in securities. Traders or other taxpayers who buy and sell securities for investment or speculation, whether or not on their own account, and irrespective of whether such buying or selling constitutes the carrying on of a trade or business, are not regarded by your committee as dealers in securities within the meaning of this rule, and are not given exemption.

Subsection (s) requires that gains or losses from short sales of stocks and bonds, or from privileges or options to buy such securities, shall be treated as gains or losses from the sale or exchange of stocks and bonds held for less than two years. Your committee is of the opinion that there should be no distinction between such transactions and sales or exchanges of stocks and bonds. Accordingly, the limitation on stock losses is extended to this type of transactions.

Under subsection (t) the term "stocks and bonds" is defined. Federal, State, and municipal bonds are excluded from the definition so as not to hamper the sales of such securities. Bonds of foreign governments are also excluded.

SECTION 25 (A). CREDIT OF DIVIDENDS FOR NORMAL TAX PURPOSES

Your committee has restored to the bill the provisions of existing law permitting a credit for dividends for purposes of the normal tax. The provisions of the bill as reported by your committee represent a return to the rule established in prior revenue acts, which is designed to prevent a form of double taxation.

SECTION 25 (A) (1). DIVIDENDS RECEIVED BY INDIVIDUALS FROM EXEMPT CORPORATIONS

Dividends of a domestic corporation received by an individual are allowed as a credit against net income in computing the normal tax on the theory that the normal tax has already been paid by the corporation. Where, however, such corporation is one which is exempt from tax there is no reason why the dividends should not be subjected to normal tax when received by the stockholders. The law is changed to accomplish this purpose.

SECTION 25 (C). PERSONAL EXEMPTION

Under existing law, for the purposes of the normal tax only, a single person is entitled to a personal credit against income of $1,500 and a married person or head of a family is entitled to $3,500. On account of the urgent need for revenue, the personal exemption was by the House bill reduced to $1,000 in the case of a single person and to $2,500 in the case of a married person or head of a family.

SECTION 25 (E). CHANGE OF STATUS

Under existing law the credit for dependents is determined by the status of the taxpayer on the last day of the taxable year. A similar rule is applied with respect to the personal exemption in the case of a change of status on account of death. If the change in status is due to causes other than death a different rule applies in determining the amount of the personal exemption. These varying rules operate unjustly against both the Government and the taxpayer. For example, if a wife dies on December 30, her husband may be entitled only to the exemption allowed a single person. If the wife had income of her own, she would be entitled to the personal exemption allowed a married person; in addition, her husband would be entitled to the exemption allowed to a single person. Furthermore, if a child becomes 18 years of age on December 30, the parent loses the benefit of the $400 credit for dependents. The committee sees no reason for these varying rules. Accordingly, the proposed bill provides that if the status of the taxpayer, in so far as it affects the personal exemption or credit for dependents, changes during the taxable year, the exemption and credit shall be apportioned on a monthly basis under rules and regulations prescribed by the commissioner with the approval of the Secretary.

SECTIONS 25 (F) AND 25 (G). EARNED INCOME CREDIT

The proposed amendments add subsections (f) and (g) to section 25 and are in lieu of section 31 of the existing law. Subsection (f) changes the form of the credit from a credit against the tax equal to 25 per cent of the tax on the earned net income to a credit against net income (but only for normal tax purposes) equal to 12½ per cent of the amount of the earned net income. While this change produces approximately the same result as the old system at the new rates it greatly simplifies the computation of the tax, eliminating 14 items from the return form. To prevent the credit from absorbing unduly the tax on other income it is provided that the amount of the credit shall in no case exceed 12½ per cent of the actual net income as distinguished from the earned net income.

Subsection (g) is the same as section 31 (a) of the existing law except that the $30,000 limitation on earned net income is reduced to $12,000.

SECTION 26. CREDITS OF CORPORATIONS AGAINST NET INCOME

The present law allows a credit against net income of $3,000 in the case of corporations having a net income of $25,000 or less.

Under the House bill the credit is reduced to $1,000 and granted only to corporations having a net income of $10,000 or less. Your committee has eliminated this credit entirely in view of the urgent need for revenue.

SECTION 44 (D). TRANSMISSION AT DEATH OF INSTALLMENT OBLIGATIONS

Your committee has added to section 44 (d) a provision that the subsection shall not apply to the transmission at death of installment obligations if a bond is filed in the proper amount conditioned upon the return as income by any person receiving any payment on account of such obligations of the same proportion of such payment as would have been returnable by the decedent had he lived and received the same. It has come to the attention of your committee that considerable hardship sometimes occurs in the application of existing law to cases of decedents who die possessed of substantial amounts of installment obligations. In such cases the entire amount of the profit represented by the obligations must be reported as income in the return of the decedent for the year of his death. Your committee believes that if, for example, the estate of the decedent or his next of kin or legatees file a bond to return as income the proper proportion of the payments received by them on account of the installment obligations received from the decedent, the revenue will be properly protected. This section is accordingly amended to provide for such procedure.

SECTION 47 (E). CLERICAL

This is a clerical change made necessary by the elimination from section 26 of the specific credit of corporations against income.

SECTION 51 (A) AND (B). CLERICAL

These are amendments made necessary as the result of the amendments made to section 25 (c), reducing the personal exemption to $1,000 for a single person and $2,500 for a married person.

SECTION 101 (C) (8) (C). CLERICAL

This amendment makes a clerical change in this subsection by inserting a reference to the revenue act of 1928 in lieu of a reference to the revenue acts of 1924 and 1926. The revenue acts of 1924 and 1926 are omitted for the reason that if any taxpayer received stock or securities in a distribution wherein no gain or loss was recognized under such acts, such stock or securities have necessarily been held for more than two years prior to January 1, 1932, the effective date of this title.

SECTIONS 101 (C) (8) (D); 113 (A) (11), AND 118. WASH SALES

Section 101 (c) (8) of the existing law recognizes that in certain cases where the gain or loss basis of old property carries over, in whole or in part, to newly acquired property, the newly acquired property is regarded as taking the place of the old property and the two are regarded as the same property for the purpose of determining the period the property was held. The existing law does not specifically cover the cases of property acquired in connection with a wash sale, although no loss from such sale was recognized under section 118 and the basis of the old property is carried over in whole or in part under section 113 (a) (11) to the new property. Your committee sees no reason why property acquired under these circumstances should not be accorded the same treatment as is accorded in other similar cases. Accordingly a new subparagraph (D), added to section 101 (c) (8) by the House bill, is concurred in by your committee.

In many cases of "wash" sales the shares disposed of in the "wash" sale have been purchased at different times and at different prices, or the shares repurchased in connection with the sale are subsequently sold at different times and at different prices, or the number of shares repurchased are greater or less than the number of shares sold. In all such cases some allocation as between the shares sold and the shares repurchased is absolutely essential in order to apply the new "tacking" provision included in section 101 (c) (8); and such allocation is, in fact, equally desirable in determining the amount of the loss to be disallowed on the "wash" sale and the basis for computing future gain or loss on the shares repurchased in connection with the "wash" sale. In the prior act it was assumed that such identification or allocation was unnecessary or, if necessary, could readily be made. In the types of cases mentioned above an accurate allocation is often impossible, and resort must be had to some rule of thumb. As it would be impracticable to state in the act a rule of uniform application to all the possible types of cases, it is provided in subsections (b) and (c) of section 118 that such allocation shall be made under rules and regulations to be prescribed by the commissioner. The allocation so made will, of course, be applicable not only for the purpose of section 118 but also for the purposes of sections 101 (c) (8) and 113 (a) (11). In view of this new provision the last sentence of section 118 of the 1928 act has been eliminated.

Section 118 has been amended to show clearly that the wash-sale provisions apply to sales and repurchases occurring on the same day; this change is regarded as declaratory of the existing law and is made in the interest of clarity only. The section has also been amended to make it clear that it applies only to cases of the acquisition of substantially identical stock or securities by purchase or through a taxable exchange on which the gain or loss was fully recognized; the result of the amendment is to eliminate any possibility of a conflict between section 113 (a) (11) and other basic provisions of the law. Other changes in the language of sections 113 (a) (11) and 118 are for clarification only.

SECTION 103 (11). EXEMPTION OF MUTUAL HAIL, CYCLONE, CASUALTY, OR FIRE INSURANCE COMPANIES

The provisions of the existing law if subject to the interpretation sometimes contended for would result in the exemption of virtually all mutual property insurance companies without regard to their character or manner of organization and operation. Thus it is contended that the phrase "or other" following "farmers," does not restrict the exemption to those companies which are similar to the type commonly known as "farmers'" and that this phrase in fact embraces practically all mutual property insurance companies which are not "farmers'" companies. It is also contended that the clause in the existing law requiring the income to be "used or held for the purpose of paying losses or expenses" is complied with by all mutual companies, since all such companies are at least in principle required to hold all of their income for the payment of losses (present or prospective) and of expenses. In order to state more clearly what your committee believes to be the true policy underlying the exemption of mutual insurance companies of this general class the bill confines the exemption to companies of the type commonly known as "farmers'," "county," "town," or "local" mutuals, with the same limitation as in the existing law that the income must be used or held for paying losses or expenses. The use of the words "farmers'," "county," etc., as modifying the word "mutuals" is not intended to describe or denote different types of mutual insurance companies but rather to indicate some, if not all, of the designations employed in the several State statutes to denote the same general type of mutual insurance companies. Companies of this type are almost without exception organized under statutes which restrict the territorial scope of their operations and also their manner of organization and operation so as to preserve their truly mutual character.

SECTIONS 111 (A), 113 (A), 113 (B) (2), 114 (A), 114 (B) (1), AND 23 (G). ADJUSTED BASIS FOR DETERMINING GAIN, LOSS, DEPRECIATION, AND DEPLETION

Sections 111 (a), 114 (a), 114 (b) (1), and 23 (g) of the 1928 act provide in substance that gain, loss, depreciation, and depletion shall be determined upon the "basis provided in section 113." Subsection (a) of the latter section provides, in the case of certain gifts or exchanges of property, where no gain or loss results or where any gain or loss which might result is not recognized, in whole or in part, that the basis of the property shall be continued or carried over beyond the time of the gift or exchange substantially as if the gift or exchange had not occurred. The cases covered by these provisions fall roughly into two general classes: (1) Where the basis of the property in the hands of the taxpayer is the same as it was in the hands of the transferor, and (2) where the basis of the property in the hands of the taxpayer is the same as the basis of property previously held by the taxpayer.

These provisions, however, do not in terms state whether "basis" means (1) the original capital investment in the property, or (2) the net capital investment in the property at any given point of time after adjustment for such items as have had the substantial effect of increasing or diminishing the original investment. Subsection (b) of section 111 requires the making of such adjustments to the basis, but it is argued that this subsection is limited to the computation of gain or loss under subsection (a) of the same section, after the basis has been determined under section 113. Hence, it has been contended that the adjustments provided for in section 111 (b) have no place and are to be disregarded in the determination of the basis under section 113. Some support for this contention is found in the decision of the Board of Tax Appeals in the case of Burlington Gazette Co. (21 B. T. A. 156), construing the corresponding provisions of the 1924 and 1926 acts.

In some simple cases the principle contended for creates no great practical difficulties. But in the great number of cases which are covered by the provisions of section 113 requiring a continuation or carry-over of basis, this principle would produce results palpably contrary to the whole spirit and purpose of the law.

Suppose that Corporation A buys machinery for $10,000, holds it for a period of years during which $2,500 of depreciation is written off and allowed as deductions, and then transfers the machinery to Corporation B in a tax-free reorganization. Under section 113 (a) the basis of the property in the hands of Corporation B is the same as it would be in the hands of Corporation A. Under the principle contended for, B, if it sold the property the day after the transfer from A, could compute gain or loss on the $10,000 cost of the property to A undiminished by the depreciation which had been allowed to A; or, if B continued to hold the property, it could recover through depreciation deductions the full $10,000 cost of the property to A, notwithstanding the fact that $2,500 of this cost had already been returned to A through depreciation deductions. Certainly no such result was ever intended. Since A was permitted to transfer the property to B free of tax, B should merely take A's position in respect to the property and should recover the same capital investment that A would have recovered had it continued to own the property.

Or, suppose that M buys stock of the X Corporation for $10,000, holds it for a period of years, during which he receives distributions of $2,500 which are properly applicable against basis, and then exchanges the stock for stock of the Y corporation in a tax-free reorganization. Under section 113 (a) the basis of the Y

stock, in the hands of M, is the same as the basis of the X stock. Under the principle contended for, if M should sell the Y stock, he could compute gain or loss on the full $10,000 cost of the X stock, notwithstanding the fact that he had received distributions on the X stock which should have reduced the basis. If M had continued to hold the X stock and then sold it, he would, admittedly, be required to reduce the $10,000 cost by the $2,500 of distributions applicable against basis. Since M was permitted to make the exchange of stocks free of tax, the law clearly intends that the Y stock should simply take the same position as the X stock, and that M should recover the same capital investment from the Y stock which he would have recovered from the X stock had he continued to own it.

The committee does not believe that the existing law will be interpreted in the manner claimed and the whole purpose of the law defeated by so obviously a narrow construction. The provisions of the new bill, however, are designed to remove any possibility of controversy over the matter.

In providing more clearly for this type of cases, the committee has found it advisable to make a number of changes in the arrangement and phraseology of the provisions of the 1928 act relating to gain, loss, depreciation, and depletion.

Instead of using the term "basis" interchangeably to denote two difference concepts, the new bill employs the terms "unadjusted basis" (or, for brevity, "basis") and "adjusted basis." "Basis" means the original capital investment in the property and is provided for in subsection (a) of section 112. "Adjusted basis" means, in substance, the net capital investment in the property at any point of time when it becomes material to determine gain or loss, depreciation, etc. It is the "basis" determined by reference to subsection (a), adjusted in the manner provided in subsection (b).

Whereas sections 23 (g), 111 (a), 114 (a), and 114 (b) (1) of the 1928 act referred to the "basis provided in section 113," the corresponding sections of the new bill make reference to the "adjusted basis provided in section 113 (b)."

The adjustment provisions which in the 1928 act were included in section 111 have been taken out of that section and, with certain changes to be mentioned separately (see discussion under sec. 113 (b)), included in section 113 as subsection (b). Paragraph (2) of this subsection contains the specific provisions governing the case of a "substituted basis"; that is, where the "basis" is continued or carried over from one person to another or from one piece of property to another. It is provided, in substance, that where there is a substituted basis or a series of substituted bases, not only the "basis" itself, but also the adjustments pertaining thereto must be continued or carried over. For example, A purchases the X building and subsequently gives it to his son, B. B exchanges the X building for the Y building in a tax-free transaction, and then gives the Y building to his wife, C. C, in determining gain or loss or depreciation upon the Y building, is required to take account of the depreciation which was successively allowable to A and B upon the X building and to B upon the Y building, in addition to the depreciation allowable to herself during her ownership of the Y building.

SECTION 112 (C) (2). CLERICAL

This amendment of the House bill is made necessary to carry out the policy of your committee in restoring the provision of section 115 (b) of existing law exempting from tax earnings or profits accumulated or increase in value of property accrued before March 1, 1913.

SECTION 112 (H). CLERICAL

The present law in section 112 (h) provides that the distribution in pursuance of a plan of reorganization by a corporation a party to the reorganization of its stocks or securities or stocks or securities in another corporation a party to the reorganization shall not be considered a distribution of earnings or profits for certain purposes of the tax law. Obviously, this rule should be applied only if no gain to the distributee was recognized by law, and the House bill inserted a provision to this effect.

SECTION 112 (K). TRANSFERS TO FOREIGN CORPORATIONS

Property may be transferred to foreign corporations without recognition of gain under the exchange and reorganization sections of the existing law. This constitutes a serious loophole for avoidance of taxes. Taxpayers having large unrealized profits in securities may transfer such securities to corporations organized in countries imposing no tax upon the sale of capital assets. Then by subsequent sale of these assets in the foreign country the entire tax upon the capital gain is avoided. For example, A, an American citizen, owns 100,000 shares of stock in corporation X, which originally cost him $1,000,000 but now has a market value of $10,000,000. Instead of selling the stock outright A organizes a corporation under the laws of Canada, to which he transfers the 100,000 shares of stock in exchange for the entire capital stock of the Canadian company. This transaction is a nontaxable exchange. The Canadian corporation sells the stock of corporation X for $10,000,000 in cash. The latter transaction is exempt from tax under the Canadian law and is not taxable as United States income under the present law. The Canadian corporation organizes corporation Y under the laws of the United States and transfers the $10,000,000 cash received upon the sale of corporation X's stock in exchange for the entire capital stock of Y. The Canadian corporation then distributes the stock of Y to A in connection with a reorganization. By this series of transactions A has had the stock of X converted into cash and now has it in complete control.

While it is probable that the courts will not hold all transactions of this nature to be tax-free exchanges, the committee is convinced that the existing law may afford opportunity for substantial tax avoidance. To prevent this avoidance the bill withdraws the transaction from the operation of the nonrecognition sections where a foreign corporation is a party to the transaction unless prior to the exchange the commissioner is satisfied that the transaction is not in pursuance of a plan having as one of its principal purposes the avoidance of taxes. It will be noted that under this provision a taxpayer acting in good faith can ascertain prior to the transaction by submitting his plan to the commissioner that it will not be taxable if carried out in accordance with the plan. Of course, if the reorganization or the transfer is not carried out in accordance with the plan submitted the commissioner's approval will not render the transaction tax free.

This subsection provides for the full recognition of gain from any transaction described in any of the designated subsections (b) (3), (4), and (5), (d), (g), and so much of (c) as refers to (b) (3) and (5), involving a foreign corporation or the stock or securities thereof. That is, the entire amount of gain will be recognized upon any transfer of property to or by a foreign corporation, any exchange of stock or securities for stock or securities of a foreign corporation or vice versa, or any distribution by or to, or of the stock or securities of, a foreign corporation, unless prior to the transaction the commissioner is satisfied that it is not in pursuance of a plan having as one of its principal purposes the avoidance of taxes. For all other purposes, including the nonrecognition of loss in any transaction described in the foregoing subsections, the tax status of a foreign corporation is not affected by the new subsection.

Another aspect of this same problem is discussed later in this report in connection with Title VII.

SECTION 113 (A) (7). BASIS OF PROPERTY TRANSFERRED TO A CORPORATION WHERE CONTROL REMAINS IN THE SAME PERSONS

Section 113 (a) (7) of the existing law provides that where in connection with a reorganization assets are transferred from one corporation to another, the assets so transferred shall retain the same basis in the hands of the new corporation as they had in the hands of the old corporation; but the application of this section is limited to cases in which an interest or control of 80 per cent or more in the assets so transferred remains in the same persons. This 80 per cent limitation has been reduced to 50 per cent to check tax avoidance, for the reason that experience indicates it is easy to secure a temporary investment of 21 per cent of friendly capital in the new corporation and thereby secure a stepped-up basis for the property transferred.

SECTION 113 (A) (8). PROPERTY ACQUIRED BY ISSUANCE OF STOCK OR AS PAID-IN SURPLUS

This subsection was changed in the House bill in order to reflect the long-established position of the Treasury Department relative to the basis of property transferred to a corporation as paid-in surplus. The Treasury has consistently regarded the basis of such property to the corporation as being the same as the basis of the property to the transferor. However, the recent decision of the Board of Tax Appeals in Rosenbloom Finance Corporation *v.* Commissioner (24 B. T. A. 763), has opened an unexpected avenue of avoidance which, if ultimately sustained, might result in considerable loss of revenue. This decision holds that the basis of property transferred to a corporation as paid-in surplus is the fair market value of such property at the date of transfer. Regardless of the ultimate outcome of the Rosenbloom case, it appears advisable to amend subsection 1113 (a) (8) by the addition of a paragraph providing for carrying over the transferor's basis in such a case, in order to insure the continuation of this long-established rule.

Your committee has added to section 113 (a) (8) (B) a provision that the basis of property transferred to a corporation as a contribution to capital shall be the same as the basis in the hands of the transferor.

SECTION 113 (A) (12). DETERMINATION AND ADJUSTMENT OF THE BASIS OF PROPERTY ACQUIRED DURING AFFILIATION

The Treasury regulations prescribed under section 141 (b) of the revenue act of 1928 require the members of an affiliated group to reduce the basis of the stock of another member of the affiliated group which they hold by the losses of such member which were included in the consolidated return to offset the income of the other members and which could not have been availed of by such member as a net loss if it had made separate returns. It is contended that, unless the statute requires such prior reduction of basis to be recognized for 1932 and subsequent years, the effect of the reduction under the regulations will be lost. Accordingly, your committee has amended this section so as to require that the basis of property acquired during any period in 1929 or any subsequent taxable year in respect of which a consolidated return is filed shall not only be determined under the regulations prescribed under section 141 (b) of this bill and the revenue act of 1928 but also that such basis shall be adjusted in accordance with such regulations. Under this amendment, corporations which were affiliated and filed consolidated returns for any one or more of the years 1929, 1930, or 1931 can not, by filing separate returns in 1932, avoid

the adjustments required by the regulations in force at the time the consolidated returns were filed.

SECTION 113 (A) (13). PROPERTY ACQUIRED BEFORE MARCH 1, 1913

The rule as to property acquired before March 1, 1913, which was stated as subsection (b) of section 113 in the 1928 act, is now stated as paragraph (13) of subsection (a). The language of the former provision has been changed largely for the purpose of giving clearer recognition to the fact that the adjustments to cost in respect to the period prior to March 1, 1913, must be made before the comparison between cost and March 1, 1913, value is made.

For example, the cost of property acquired in 1905 was $100,000, and the depreciation sustained up to March 1, 1913, $25,000, so that the adjusted cost on March 1, 1913, was $75,000. At that date the fair market value of the property was $65,000. Since this is less than the adjusted cost at March 1, 1913, it is disregarded. The "basis" is, therefore, cost, or $100,000, and this amount, adjusted for depreciation both prior and subsequent to March 1, 1913, becomes the "adjusted basis."

Suppose, however, that the fair market value at March 1, 1913, was $85,000. Since this is greater than the adjusted cost at that date, it is taken as the "basis," and this amount, adjusted for depreciation subsequent to March 1, 1913, becomes the "adjusted basis."

SECTION 113 (B) (1). ADJUSTED BASIS

Paragraph (1) of section 113 (b) of the bill corresponds substantially to section 111 (b) of the 1928 act.

The subparagraph lettered (B) in the prior act has been separated into two subparagraphs lettered (B) and (C), to indicate more clearly the different rules applicable to the period since February 28, 1913, and the period prior thereto.

In subparagraph (B), relating to depreciation, etc., for the period since February 28, 1913, the bill requires that adjustment be made "to the extent allowed (but not less than the amount allowable)" instead of "by the amount * * * allowable" as in the prior act. The Treasury has frequently encountered cases where a taxpayer, who has taken and been allowed depreciation deductions at a certain rate consistently over a period of years, later finds it to his advantage to claim that the allowances so made to him were excessive and that the amounts which were in fact "allowable" were much less. By this time the Government may be barred from collecting the additional taxes which would be due for the prior years upon the strength of the taxpayer's present contentions. The Treasury is obliged to rely very largely upon the good faith and judgment of the taxpayer in the determination of the allowances for depreciation, since these are primarily matters of judgment and are governed by facts particularly within the knowledge of the taxpayer, and the Treasury should not be penalized for having approved the taxpayer's deductions. While the committee does not regard the existing law as countenancing any such inequitable results, it believes the new bill should specifically preclude any such possibility. Your committee has not thought it necessary to include any express provision against retroactive adjustments of depreciation on the part of the Treasury as the regulations of the Treasury seem adequate to protect the interests of taxpayers in such cases. These regulations require the depreciation allowances to be made from year to year in accordance with the then known facts and do not permit a retroactive change in these allowances by reason of the facts developed or ascertained after the years for which such allowances are made.

The requirement in subparagraph (B) of the House bill that the adjustment for depletion should be computed without regard to discovery value or percentage depletion is eliminated in the bill as to all adjustments in respect of the taxable year 1932 and subsequent years. Your committee believes it only fair that the basis of the property should be adjusted to the full extent of the depletion allowances, without regard to the method by which these allowances are determined. In view of the substantial change from the existing law in this respect, your committee is of the opinion that it should not disturb the depletion adjustments in respect of years prior to 1932.

The existing law requires the basis of stock to be reduced by distributions which, under the law when made, were applicable against basis. The bill, in subparagraph (D), requires, in addition, that basis be reduced by distributions which were free of tax when made. The Board of Tax Appeals has held that distributions out of profits accumulated before March 1, 1913, were not technically a return of capital, because made out of profits rather than capital, and could not be applied against basis in the absence of a specific statutory requirement. Some of the earlier revenue acts, while exempting such distributions from tax, did not in terms require them to be applied against basis, and distributions made during the effective periods of these acts would not, under the language of the existing law, be applicable against basis. The reason for exempting distributions of this character was that they were regarded as closely akin to a return of capital, whether or not technically such, and the same reasoning requires that they be applied in reduction of basis.

SECTION 114. BASIS FOR DEPLETION

The amendment to paragraph (b) (2) as contained in the House bill makes it clear that in the case of metal and sulphur mines the depletion allowances may not longer be computed upon the basis of discovery value.

Paragraph (b) (3) of the House bill has been amended by the elimination of the word "sulphur" to restrict the application of the paragraph to oil and gas wells.

SECTION 114 (B) (4). PERCENTAGE DEPLETION FOR METAL MINES AND SULPHUR

Under paragraph (b) (4) metal mines are granted a percentage depletion allowance of 15 per cent, and sulphur mines or deposits of 23 per cent of the gross income from the property during the taxable year. As in the case of oil and gas wells this allowance can not exceed 50 per cent of the net income of the taxpayer from the property. In respect to the taxable years 1932 and 1933 the taxpayer is privileged to have the greater of either (1) the percentage depletion allowance or (2) an allowance computed on the adjusted basis provided in section 113 (b) (usually cost or March 1, 1913, value, with adjustments). This privilege is the same for those two years as that accorded both under the existing law and the bill in the case of oil and gas wells for all years.

In the return for the taxable year 1933, however, the taxpayer is required to state as to each property whether he elects to have the depletion allowance for such property for succeeding taxable years computed with or without reference to percentage depletion; this election must be as between either percentage depletion or depletion computed upon the adjusted basis. In the case of any property in respect of which a return is first made in a year subsequent to the taxable year 1933, the election indicated in the return for such year shall be binding as to all future years. If the taxpayer fails to make such election in the return in which it should be indicated, the depletion allowance for that and succeeding taxable years will be computed on the adjusted basis.

SECTION 115. SURPLUS ACCUMULATED PRIOR TO MARCH 1, 1913

Under the present law if a corporation pays a dividend out of earnings or profits accumulated before March 1, 1913, or out of increase in value of property accrued before March 1, 1913, the dividend in either case is not taxable to the shareholder, but the amount of the dividend reduces the basis of the stock in his hands. Under the House bill the dividend would be subject to tax as in the case of any other dividend, and the basis of the stock would not be reduced. The provisions of the present law have been in force, except for certain amendments, since the 1916 act, and your committee believes that they should continue in force. Consequently, they have been restored without change.

Under existing law a distribution made from a depletion reserve based upon discovery value of a mine is not taxable as a distribution of earnings or profits but is applied in reduction of the basis of the stock. There is no reason for exempting these distributions from taxation, as they represent neither the return of capital nor earnings accumulated prior to March 1, 1913. Accordingly, the last sentence of section 115 (d) of existing law was eliminated by the House bill.

Under existing law the provisions of section 115 (g) were made applicable in the case of the cancellation or redemption of stock not issued as a stock dividend only if the cancellation or redemption was made after January 1, 1926. This provision was inserted to prevent section 115 (g) being retroactive. It is, however, no longer necessary because the proposed income-tax title applies only to 1932 and subsequent years.

SECTION 116. EXEMPTION OF EARNED INCOME FROM SOURCES WITHOUT THE UNITED STATES

This section has been amended by the elimination of the subsection excluding from gross income amounts received by bona fide nonresidents of the United States from sources without the United States. Your committee believes there is no reason for the continuance of this exemption in the case of citizens of the United States residing abroad, for the reason that under other sections of the act such citizens are granted a credit for income taxes paid foreign countries and should not be further relieved from Federal income taxes. Furthermore, a considerable proportion of the individuals previously benefited by this subsection have been employees of the United States who, because of their status as such, were usually exempt from any foreign tax upon their compensation received from the United States; these citizens are not believed by your committee to be entitled to a complete exemption from the Federal income tax upon such compensation.

SECTION 116 (B). EMPLOYEES OF ALASKAN AND HAWAIIAN GOVERNMENTS

Under the revenue act of 1928 the compensation of teachers in Hawaii and Alaska is exempt from tax, but this exemption did not extend to other Territorial employees. In the amendment of April 12, 1930 (ch. 136, 46 Stat. 161), to the Territorial act of April 30, 1900, salaries or wages paid by the Territory of Hawaii or any of its political subdivisions for services rendered in connection with a governmental function are made exempt from the Federal income tax. No such exemption is granted to employees of Alaska or the District of Columbia. Accordingly, the House bill repeals such amendment.

SECTION 117 (A) (3). CLERICAL

This amendment is necessitated by the additional paragraph relating to percentage depletion, included in section 114 (b).

SECTION 117 (B). NET LOSSES

The existing law permits the taxpayer to apply a net loss sustained in one taxable year against his net income for the succeeding taxable year; and if such net loss is in excess of his taxable income for such succeeding year, he may deduct such excess loss from his net income for the next taxable year. Under the bill as passed by the House the taxpayer was not entitled, in computing his net income for the taxable years 1932, 1933, and 1934, to use any net loss sustained for the years 1930, 1931, 1932, or 1933. For

the taxable year 1934 and subsequent taxable years the taxpayer was entitled under the House bill to carry losses sustained during such years forward one year instead of two years.

The amendment made by your committee to the House bill allows for the taxable years 1932, 1933, and 1934 a similar deduction as in the House bill was allowed for the year 1935 and subsequent years.

SECTION 131. CREDIT FOR FOREIGN INCOME TAXES

In addition to the limitation contained in the existing law, by reason of which the credit for foreign taxes may not exceed the same proportion of the tax against which the credit is taken which the amount of net income from foreign sources bears to the total net income, the House bill added the limitation that the credit for taxes paid to any country should not exceed the same proportion of the tax as the income from that country bears to the total income. In the judgment of your committee, this additional limitation imposes undue restrictions upon our citizens doing business in foreign countries, and it has therefore been eliminated.

Since a taxpayer may not have in the same taxable year both the credit under this section and the deduction under section 23 (c) (2), it is no longer necessary to provide, in connection with the computation of the credit under subsection (b) of section 131, that the net income shall be computed without deduction of foreign taxes.

The new provision in subsection (d), that taxes taken as a credit upon the accrual basis may not also be taken as a deduction, constitutes simply a clarifying change.

The proviso in subsection (f), in the 1928 act, limiting the credit for taxes paid by foreign subsidiaries, referred to "the credit allowed * * * under this subsection." This reference was incorrect, as the credit was really allowed under subsection (a), and subsection (f) merely operated to increase the credit allowed under (a). In the new bill the reference is omitted, and the limitation is stated as a qualification of the amount of tax deemed to have been paid by the taxpayer through the foreign subsidiary.

SECTION 141. CONSOLIDATED RETURNS OF CORPORATIONS

Subsections (a) and (c): Your committee has added a parenthetical clause which is designed to continue in force (in so far as not inconsistent with the new law) the consolidated returns regulations promulgated under section 141 of the revenue act of 1928 to take care of the companies where returns are filed on a fiscal-year basis prior to the time that consolidated returns regulations can be promulgated under the bill.

The House bill increased the tax of the affiliated group by 1½ per cent in the case a consolidated return was filed. Your committee has eliminated this change and restored the provisions of existing law in this respect as it sees no reason for penalizing corporations for the filing of consolidated returns which accurately reflect the income of the common business enterprise.

Subsection (e): Under existing law life-insurance companies or insurance companies other than life or mutual are not permitted to file consolidated returns with corporations engaged in other lines of business because of the difference in the method of taxing insurance companies as compared with ordinary corporations. The same difficulty has been encountered in connection with life and stock property-insurance companies. For example, the proposed amendment does not permit a life-insurance company to file a consolidated return with a fire-insurance company.

SECTIONS 142 AND 147. CLERICAL

These two sections have been amended to bring their language into accord with the reduction of the personal exemption allowed a single person to $1,000, and the language of section 142 has been further amended to bring its language into accord with the reduction of the personal exemption allowed a married person living with husband or wife to $2,500.

SECTION 143. WITHHOLDING OF TAX AT SOURCE

Subsection (a) has been amended to bring the language in accord with the increase in the normal tax rate from 5 per cent under existing law to 9 per cent and to increase the corporate rate from 12 per cent under existing law to 14 per cent.

Similar changes have been made throughout the section, due to the change in rates and the last proviso in subsection (b), which was inserted in the House bill, has been stricken out due to the action of your committee in restoring the credit for dividends for the purpose of the normal tax.

The provision in existing law permitting deduction and withholding at the rate of 1½ per cent instead of at the rate of 2 per cent in the case of a citizen or resident has been stricken out because under the rates now in effect there is no normal rate of less than 3 per cent.

SECTION 165. EMPLOYEES' TRUSTS

The House bill retained the provisions of existing law under which an employee who receives a distribution from a trust created by an employer as part of a stock bonus, pension, or profit-sharing plan is taxed upon the amount contributed to such fund by the employer plus all earnings of such fund in the year in which distributed or made available to him. In recent years situations have arisen in which the amount contributed to such fund by the employer and all earnings of such fund, together with the amounts contributed to the fund by the employees, have been invested by the trustee in stock of the employer corporation, and at the time of distribution to the employee the market value of the stock was less than the amount contributed to the fund by the employer plus the earnings of the fund.

Your committee believes that it is a distinct hardship to an employee to be taxed under such circumstances as the existing law requires, and corrects the situation by amending section 165 to provide that only the excess of the market value of the stock distributed or made available to the employee over the amounts paid in by him to the trust should be taxable in the year of distribution. This plan renders the employee taxable at the time of distribution upon the excess of the fair market value of the stock received by him over his contributions to the trust regardless of the amount contributed to the trust by the employer. In the case of cash distributions, of course, the present rule is unchanged.

SECTION 166. REVOCABLE TRUSTS

Under the present law the income of a trust is taxable to the grantor where, at any time during the taxable year, the grantor has power to revest in himself title to any part of the corpus of the trust, either alone or in conjunction with any person not a beneficiary of the trust. In an attempt to avoid this section the practice has been adopted by some grantors of reserving power to revest title to the trust corpus in conjunction with a beneficiary having a very minor interest or of conferring the power to revest upon a person other than a beneficiary; in such cases the grantor has substantially the same control as if he alone had power to revoke the trust. While it is, of course, yet to be established that such device accomplishes its purpose, it is considered expedient to make it clear that in any of these cases the income shall be taxed to the grantor. The House bill made the grantor of a trust taxable upon the income of any part of the corpus of the trust where the power to revest in the grantor title to such part of the corpus was in the grantor alone or was in the grantor in conjunction with any person not having a substantial adverse interest in the disposition of such part of the corpus. Your committee has extended the scope of this provision so as to include as well the cases where the power to revest title to any part of the corpus is held, either alone or in conjunction with the grantor, by a person not having a substantial adverse interest in such part of the corpus or in the income therefrom.

SECTION 167. INCOME FOR BENEFIT OF GRANTOR

As in the case of the preceding section, attempted avoidance of the provisions of this section relating to income held or accumulated for the grantor has rendered expedient a change in its wording to clock certain recent practices. The present law taxes the income of a trust to the grantor when, in his discretion, either alone or in conjunction with a person not a beneficiary, the trust income may be held or accumulated for future distribution to him or is or may be applied to the payment of premiums upon insurance policies on the grantor's life. Trusts have been established on which income is held or accumulated for the grantor, which fact, it is contended, removes such trusts from the operation of this section. Here again it is not at all certain that the courts will uphold such devices; yet the statute may well be clarified to remove any doubt that the income of such trusts is to be taxed to the grantors. In the House bill the section has been amended to provide that there shall be taxed to the grantor of a trust any part of the income of the trust which (1) is, or in the grantor's discretion may be, held or accumulated for future distribution to him, or (2) may, in the grantor's discretion, be distributed to him, or (3) is, or in the grantor's discretion may be, applied to the payment of premiums upon policies of insurance on his life. Your committee has further amended the section so as to cover, in addition, cases in which the discretion as to the disposition of the income is in any person not having a substantial adverse interest in the disposition of such income, even though such discretionary power is not shared with the grantor. The House bill added a subsection defining the term "in the discretion of the grantor" so as to include within the purview of the section cases in which the discretion is in the grantor in conjunction with any person not having a substantial adverse interest in the dispositon of the income in question.

SECTIONS 203 (A) AND 204 (C). CLERICAL

Since corporations generally are not allowed a specific credit against net income, the provisions of section 203 (a) (9) and section 204 (c) (10) of the House bill have been eliminated accordingly.

SECTION 203 (A) (2). DEDUCTION FOR RESERVE FUNDS OF LIFE-INSURANCE COMPANIES

Under the existing law, a life-insurance company is permitted to deduct an amount equal to 4 per cent of the mean of its reserve funds held at the beginning and end of the taxable year. In view of the fact that by far the greater part of the reserves for life-insurance policies are maintained at rates less than 4 per cent, the effect of the existing law was to permit companies maintaining their reserves at such lower rates to take deductions substantially in excess of their actual reserve requirements. The House bill accordingly reduced the rate at which this deduction was to be computed from 4 per cent to 3½ per cent, upon the assumption that this uniform rate would not operate arbitrarily. Since many companies, however, maintain policy reserves at rates as high as 4 per cent, the effect of the House bill would be to require such companies to pay taxes upon amounts actually required to maintain their reserves, a result contrary to the general policy of the act. The House bill, moreover, would permit those com-

panies maintaining policy reserves at rates less than 3½ per cent to receive free of tax amounts in excess of their reserve requirements.

In the judgment of your committee, the substantial purpose of the act, to permit a life-insurance company to set aside free of tax the amount of investment income actually required to maintain the policy reserve, is best accomplished by requiring the deduction to be computed at the interest rate at which the policy reserves are actually maintained. Since few, if any, policy reserves are maintained at rates in excess of 4 per cent, the rate at which such deduction may be computed may not exceed 4 per cent. If a company maintains its reserves at different interest rates, the deduction must be computed by applying to each part of the reserve the rate at which such part is maintained.

In the case of combined policies covering life, health, and accident insurance, the deduction, in respect of such reserve funds not required by law as the commissioner finds necessary for the protection of policyholders, is to be computed uniformly at the rate of 3¾ per cent.

SECTION 203 (A) (3). DIVIDENDS TO LIFE-INSURANCE COMPANIES FROM EXEMPT CORPORATIONS

This section has been amended to deny a deduction of dividends received by a life-insurance company from an exempt corporation. This change corresponds to the change made in section 23 (p) (1) with respect to ordinary corporations.

SECTION 203 (B). RENTAL VALUE OF REAL ESTATE

Under existing law a life-insurance company is required, as a condition to the allowance of the deductions for depreciation, taxes, and other expenses pertaining to real estate owned and occupied by it, to include in its gross income the rental value of the space occupied by it; such rental value must be not less than a sum which, together with rents from other tenants, will yield a net return of 4 per cent of the book value of the real estate. The Board of Tax Appeals has held that this limitation or condition upon the deduction is unconstitutional, and that the company may still deduct the entire amount of depreciation, taxes, and other expenses upon the whole property notwithstanding there is included in gross income rent from only a part of the property. Without regard to the legality of the present provisions, your committee believes that these provisions would operate somewhat severely in the present depressed condition of real estate, and that it is more equitable merely to disallow so much of these deductions as pertain to the part of the property which is occupied by the company than to allow such deductions in full upon condition of including in gross income a more or less arbitrary determination of rental value.

The bill as reported accordingly provides for the allowance of a proportionate part of the depreciation, taxes, and other expenses pertaining to real estate owned and occupied by the company, to be determined by the proportion which the rental value of the space not occupied by the company bears to the rental value of the entire property. Such rental value, instead of being fixed by a definite statutory formula, will be determined in accordance with the circumstances in each case.

SECTION 204 (B) (1). DEFINITION OF GROSS INCOME—INSURANCE COMPANIES OTHER THAN LIFE OR MUTUAL

Some question has arisen as to the adequacy of the definition in prior acts of the gross income of insurance companies other than life or mutual. Under a recent decision of the Supreme Court, some of the title-guaranty and mortgage-guaranty companies are taxable as insurance companies, and since a substantial part of their income might not be classed as either underwriting or investment income, it might not come within the definition of gross income contained in this section. As such companies are allowed the same deductions as are allowed to ordinary corporations, in addition to the purely insurance deductions provided in section 204, they would be in the highly favored position of being taxed upon only part of their income while being allowed all of their expenses, losses, and other deductions. Moreover, this definition, even in the case of the other type of insurance companies taxable under this section, may not include some miscellaneous forms of income which should be subject to tax. The bill accordingly requires the inclusion in gross income of insurance companies taxable under section 204 of all items constituting gross income under section 22 other than items of the character already specified in section 204.

SECTION 208 (C). DEDUCTIONS OF MUTUAL INSURANCE COMPANIES OTHER THAN LIFE

The amendment to paragraph (1) (B) is merely for clarification. The use of the term "paid or incurred," which is defined in section 48, insures the determination of the deductions under this paragraph in accordance with the method of accounting employed by the taxpayer.

Paragraph (3) in the existing law allows to mutual insurance companies (other than life and marine) a deduction for premium deposits returned to policyholders and premium deposits retained for the payment of losses, expenses, and reinsurance reserves, in addition to the deductions for losses and expenses paid or incurred, allowed by other provisions of this section. Thus, it may be argued that an insurance company in this class may deduct what is virtually the same item several times over in different taxable years. Since deductions are already allowed for all losses and expenses as paid or incurred, there is no reason for any further deduction under this paragraph for premium deposits retained to meet such losses and expenses. The bill accordingly restricts the additional deductions allowed under paragraph (3) to returned premium deposits (as under existing law) and a reasonable net addition to reinsurance reserves, if not otherwise allowed.

SECTION 214. CREDITS AGAINST NET INCOME OF A NONRESIDENT ALIEN INDIVIDUAL

The personal exemption allowed by this section is reduced from $1,500 to $1,000 in accordance with the policy expressed in section 25 (c) of the bill.

SECTION 236. TIME FOR PAYMENT OF TAX BY FOREIGN CORPORATIONS

Under existing law foreign corporations on a calendar-year basis having any office or place of business in the United States are not required to pay their income taxes until June 15, following the close of the calendar year, although their returns must be filed on March 15. Your committee sees no reason why such corporation should not pay their income taxes at the same time that their returns are due, which is the rule applied in the case of domestic corporations, and the amendment so provides.

SECTION 251 (E). CREDIT AGAINST NET INCOME FROM SOURCES WITHIN POSSESSIONS OF THE UNITED STATES

The credit allowed under this section has been limited to a personal exemption credit of $1,000 in the case of a citizen of the United States entitled to the benefits of section 251, and the provisions of the House bill relating to the $1,000 specific credit in the case of domestic corporations entitled to the benefits of this section have been removed in view of the elimination from section 26 of the bill of any specific credit in the case of domestic corporations.

SECTION 261 (A). CLERICAL

The word "credits" in subsection (a) of this section in existing law has been changed to "credit," due to the elimination by this committee of the specific credit allowed corporations under section 26 of existing law.

TITLE II.—ADDITIONAL ESTATE TAX

SECTION 401. IMPOSITION OF TAX

Under the House bill an additional estate tax is imposed equal to the excess of the amount of a tentative tax over the tax computed under existing law prior to the allowance of the 80 per cent credit. The tentative tax begins with net estates not in excess of $10,000 at the rate of 1 per cent and the rates increased up to 45 per cent in the case of net estates in excess of $10,000,000. The $100,000 exemption allowed under existing law in computing net estates is decreased to $50,000 for the purpose of determining the tentative tax. Estates of decedents subject to the tax imposed under existing law will also be subject to the tax imposed by this section. In some cases estates which are not liable to the tax under existing law will nevertheless be liable for the tax imposed under this section, due to the lowering of the exemption from $100,000 to $50,000. In order to make it clear that the tax will apply in such cases your committee has stricken out the words "an additional" before "tax" in this section and substituted the word "a."

SECTION 402. CREDITS AGAINST TAX

Subsection (a) of this section makes it clear that the additional estate tax shall not be subject to the credit for State death taxes to which the estate tax imposed by section 301 (a) of the revenue act of 1926 is subject.

Subsection (b) of this section authorizes as a credit against the additional estate tax, subject to the limitations provided in section 301 (b) of the revenue act of 1926, as amended, gift taxes paid under Title III of the pending bill, but such credit is not to be in excess of the amount by which the gift tax exceeds the amount of credit authorized by section 301 (b) of the revenue act of 1926, as amended.

SECTION 403. ASSESSMENT, COLLECTION, AND PAYMENT OF TAX

The additional estate tax (except as provided in sec. 402) is to be assessed, collected, and paid in the same manner, and subject to the same provisions as the estate tax imposed by existing law.

This section imposes the same requirements upon the filing of returns as prescribed in existing law, except that a return is not required in the case of a resident decedent if the value of the gross estate at the time of the decedent's death does not exceed $50,000.

Your committee adds a clarifying amendment to make it plain that a nonresident decedent is required to file a return as provided in existing law even though the gross estate is less than $50,000.

TITLE III.—GIFT TAX

SECTION 501. IMPOSITION OF TAX

Except for the administrative provisions, which are taken either from the estate tax or the income tax titles of the revenue acts of 1926 and 1928 and incorporated in this title (a resort to the expedient of the incorporation of administrative provisions by reference, as was done in the gift tax law of the revenue act of 1924, being thought unsatisfactory), the aim in framing this title has been to state with brevity and in general terms the provisions of a substantive character.

The tax applies only to gifts made by individuals and in the case of a nonresident alien only to gifts of property situated within the United States. Your committee has amended the House bill to tax gifts made by citizens of the United States of any property wherever situated regardless of whether the donors are residents or nonresidents.

The terms "property," "transfer," "gift," and "indirectly" are used in the broadest and most comprehensive sense; the term "property" reaching every species of right or interest protected by law and having an exchangeable value.

The words "transfer * * * by gift" and "whether * * * direct or indirect" are designed to cover and comprehend all transactions (subject to certain express conditions and limitations) whereby and to the extent (sec. 503) that property or a property right is donatively passed to or conferred upon another, regardless of the means or the device employed in its accomplishment. For example, (1) a transfer of property by a corporation without a consideration, or one less than adequate and fully in money or money's worth, to B would constitute a gift from the stockholders of the corporation to B; (2) a transfer by A to a corporation owned by his children would constitute a gift to the children; (3) a transfer of property to B where there is imposed upon B the obligation of paying a commensurate annuity to C would be a gift to C; (4) the payment of money or the transfer of property to B in consideration whereof he is to render a service to C would constitute a gift to C or gifts both to B and to C, depending on whether the service to be rendered by B to C was or was not an adequate and full consideration in money or money's worth for that which was received by B; (5) the forgiveness or payment by A of B's indebtedness would constitute a gift to B; (6) where A creates a joint bank account for himself and B there would be a gift to B when he draws upon the account for his own benefit to the extent of the amount drawn out; (7) where A creates a revocable trust, naming B as beneficiary, a gift to B of the corpus is effected when A relinquishes the power to revoke or the power is otherwise terminated in B's favor (the income payment to B in the interim being gifts from A in the calendar years when received).

SECTION 502. COMPUTATION OF TAX

The computation of the tax payable each year involves three operations, namely:

(1) A computation of the tax at the graduated rates on all gifts (with certain express exceptions) made after the enactment of this act, including gifts made in the current calendar year; (2) a computation of the tax at the graduated rates on the gifts made in the prior year or years; (3) the subtraction of the result of the second computation from that of the first. This computation results in a tax imposed on a cumulative basis. In short, the design is to impose a tax which measurably approaches the estate tax which would have been payable on the donor's death had the gifts not been made and the property given had constituted his estate at his death. The tax will reach gifts not reached, for one reason or another, by the estate tax.

The gift tax will supplement both the estate tax and the income tax. It will tend to reduce the incentive to make gifts in order that distribution of future income from the donated property may be to a number of persons, with the result that the taxes imposed by the higher brackets of the income tax law are avoided. It will also tend to discourage transfers for the purpose of avoiding the estate tax.

An objection urged against the former gift tax (that imposed by the revenue act of 1924) was that it might be readily evaded by spreading the gifts over a period of years. Under that tax a person could in each year make gifts equal to the deductions, including the specific exemption, and thus escape the tax entirely. Where taxable gifts were spread over a number of years, the combined effect of the annual specific exemption and of the graduated rates resulted in the aggregate of the gift taxes imposed being much less than what the tax would have been had all the gifts been made in a single year. If a gift tax is to yield a material revenue it is necessary that it be imposed on a cumulative basis, as is the proposed tax. Since the gift tax is an adjunct of the estate tax which is not restricted to transfers made within a single year, an effective gift tax must give consideration, so far as the rate of tax is concerned, to transfers made in prior years.

The theory upon which the gift tax is based is that the rate of tax is measured by all gifts made after the enactment of the bill. This scheme is adopted in order to tax gifts made over a period of years at the same rate as if they had all been made within one year. For a more effective administration and to secure prompt collection of the revenues, the bill provides that the tax shall be computed and collected annually.

The gift-tax rates have been adjusted to conform to the increase in estate-tax rates in the bill.

SECTION 503. TRANSFERS FOR LESS THAN ADEQUATE AND FULL CONSIDERATION

Since the tax is designed to reach all transfers to the extent that they are donative, and to exclude any consideration not reducible to money or money's worth, it is provided in this section that where the transfer is made for less than an adequate and full consideration in money or money's worth, the excess in value of the property transferred over such consideration shall be deemed a gift. For example, if A sells property worth $10,000 to B for $1,000, there is a gift of $9,000.

SECTION 504. NET GIFTS

By subsection (b) of the House bill a gift or gifts to any one person during the calendar year, if in the amount or of the value of $3,000 or less, was not to be accounted for in determining the total amount of gifts of that or any subsequent calendar year. Likewise, the first $3,000 of a gift to any one person exceeding that amount is not to be accounted for. Your committee believed the exemption was insufficient, and accordingly increased it to $5,000. Such exemption, on the one hand, is to obviate the necessity of keeping an account of and reporting numerous small gifts, and, on the other, to fix the amount sufficiently large to cover in most cases wedding and Christmas gifts and occasional gifts of relatively small amounts. The exemption does not apply with respect to a gift to any donee to whom is given a future interest. The term "future interests in property" refers to any interest or estate, whether vested or contingent, limited to commence in possession or enjoyment at a future date. The exemption being available only in so far as the donees are ascertainable, the denial of the exemption in the case of gifts of future interests is dictated by the apprehended difficulty, in many instances, of determining the number of eventual donees and the values of their respective gifts.

SECTION 505. DEDUCTIONS

Against gifts made by a resident donor there is allowed a specific exemption of $50,000, corresponding to the specific exemption in the estate tax law. This exemption, at the option of the donor, may be taken all in one year or spread over a period of years, but after the $50,000 exemption has been used up no further exemption is allowed. For neither the gift tax nor the estate tax is a specific exemption allowed in the case of a nonresident.

The provisions authorizing deductions for charitable and similar gifts are patterned after those in the income tax law, and are broader than the corresponding provisions in the estate tax law.

A clarifying change has been made in this section by your committee to bring it into harmony with the policy of your committee to tax gifts made by nonresident citizens of property located outside the United States.

SECTION 506. GIFTS MADE IN PROPERTY

The word "property" in the gift tax law includes money, so that pursuant to this section a gift of a rare coin would be measured by the value of the coin at the time of the gift.

SECTION 507. RETURNS

This section requires that returns disclosing gifts shall be filed on or before the 15th day of March following the close of the calendar year in which any gift in excess of $5,000 is made to any one individual.

SECTION 508. RECORDS AND SPECIAL RETURNS

This section is modeled after similar income-tax provisions.

SECTION 509. PAYMENT OF TAX

The tax is payable on or before the due date of the return.

SECTION 510. LIEN FOR TAX

By this section there is imposed a lien additional to that imposed by section 3186 of the Revised Statutes in that it attaches to the property transferred by gift as of the time of transfer.

SECTIONS 511 TO 527. GENERAL ADMINISTRATIVE PROVISIONS

These sections, relating to the determination and collection of the tax, are modeled after either corresponding provisions of the estate tax law or the income tax law, whichever have been found most adaptable.

Your committee has added to the House bill a section providing a penalty for willfully attempting in any manner to defeat or evade the gift tax; this penalty corresponds to the penalty imposed by the income-tax statutes for the same offense.

SECTION 528. REFUNDS AND CREDITS

A donor liable to a gift tax may have overpaid his gift tax for some other year. This section gives recognition to this fact and is modeled after the income-tax provisions which specifically authorize the crediting of an overpayment for one year against a liability for another and the refunding of any balance which is not so credited.

SECTION 529. LAWS MADE APPLICABLE

This is a standard provision.

SECTION 530. RULES AND REGULATIONS

Pursuant to this section rules and regulations for the enforcement of the gift tax law are to be prescribed by the commissioner with the approval of the Secretary.

SECTION 531. DEFINITIONS

The gift tax may not constitutionally apply to gifts made prior to the date of the enactment of the act imposing the tax. This limitation is, for convenience, incorporated in the definition of the term "calendar year."

The definition in subsection (b) follows a similar definition in the estate tax law.

TITLE IV.—MANUFACTURERS' EXCISE TAXES

Section 601 imposes taxes on the importation of certain articles. In order that the imposition of these taxes shall not operate as an abrogation of the Cuban reciprocity treaty, subsections (a) and (b) (5) are amended so that the taxes shall be subject to the exemption from duty or to the preferential rate granted Cuban products.

The taxes imposed under this section on imported articles are to be collected by the Customs Service in the same manner as customs duties, and all provisions of the customs administrative laws, with certain specific exceptions, are made applicable. Subsection (b) (4) is amended so that the drawback privilege will be applicable to imported coal, lumber, copper, and rubber, as well as imported oil.

Your committee recommends striking out of subsection (c) (1), relating to lubricating oils, the viscosity range in the House bill. Oils within the limits of the House bill can be produced by mixing lighter and heavier oils, and consumers could avoid the tax by such mixture. Since lubricating oils are also covered by the committee's substitute for paragraph (4), relating to imported petroleum and products thereof, a provision has been written into paragraph (1) to limit it to sales by domestic manufacturers.

The tax on brewer's wort is increased to 15 cents a gallon. It is believed that this commodity can easily bear this rate and that a substantial increase in revenue will result. The malt sirup rate of 35 cents a gallon in the House bill is changed to 3 cents a pound, which is approximately equivalent. This change is recommended for the reason that the products to which it applies are sold by the pound rather than by the gallon. The exemptions contained in the House bill are extended to include malt sirup sold by the manufacturer for use by the purchaser in the manufacture of foods, cereal beverages, and textiles. The paragraph has been rewritten for clarity.

The rate under paragraph (3) on grape concentrate, etc., has been fixed at 20 cents a gallon, instead of 40 per cent of the price or duty-paid value as in the House bill. Exemptions comparable to those in the malt sirup paragraph have been added.

The rate on imported crude petroleum, fuel oil, and gas oil under paragraph (4) has been reduced from 1 cent a gallon to ½-cent a gallon. The rate on gasoline has been increased from 1 cent to 2½ cents, and compensatory duties on lubricating oils, other liquid derivatives of petroleum, paraffin, and other petroleum wax products, asphalt, and bitumen have been inserted.

The coal paragraph has been broadened to cover all sizes, grades, and classifications of coal. A provision has been added to exempt imports from any country which during the preceding year has imported from the United States a greater quantity of these products than it has exported to the United States.

The proposed paragraph (6) imposes a tax of $3 per thousand board feet on imports of lumber, and the proposed paragraph (7) imposes a duty of 4 cents a pound on the copper content of imported ores and concentrates, and the materials and semimanufactured articles enumerated in paragraphs 316, 380, 381, 387, 1620, 1634, 1657, 1658, or 1659 of the tariff act. Compensatory rates are provided for other articles containing copper.

A duty of 5 cents a pound on imported rubber and gutta-percha, and the rubber and gutta-percha content of imported articles is proposed as a purely revenue-producing measure.

Sections 602 to 604, inclusive, 606, 608 to 613, inclusive, and 615, imposing taxes on toilet preparations, etc., furs, jewelry, etc., boats, mechanical refrigerators, sporting goods, firearms, shells and cartridges, cameras, matches, candy, and soft drinks, are striken from the bill.

The rate on passenger automobile bodies and chassis has been increased from 3 to 4 per cent, on truck bodies and chassis from 2 to 3 per cent, and on parts and accessories from 1 to 2 per cent. In view of the import tax on rubber, tires and inner tubes not sold on or in connection with the sale of a truck or other automobile have been exempted from the tax on parts and accessories. The House bill contained a provision, which is retained by your committee, to eliminate the effect of certain court decisions under which many parts and accessories have escaped tax under prior revenue acts on the ground that they were not "primarily adapted" for use on automobiles or trucks, since they might be used on boats, tractors, etc. Under the bill spark plugs, storage batteries, leaf springs, coils, timers, and tire chains, if suitable for use on automobiles and trucks, will be taxable as parts or accessories whether or not "primarily adapted" for such use. As to other parts and accessories, the test of taxability will be the same as under the prior laws, since those enumerated represent the principal items as to which question has arisen, and to extend the list would result in the inclusion of articles whose use on automobiles and trucks may be minor as compared with their other uses.

A provision is inserted to allow a body manufacturer to sell bodies tax free to an automobile or truck manufacturer for resale by him, and the vendee is made liable for the tax on the body when he sells the completed automobile or truck.

Subsection (e) as proposed will allow a refund of tax paid on automobiles, trucks, parts, and accessories in the hands of dealers when the tax ceases to be in effect. To offset this concession an amendment is made to the section relating to the effective date, so that the tax on these articles will be in effect one month longer than the other excise taxes imposed by the bill.

No change is made in the tax on radio receiving sets, etc. The rate on chewing gum has been reduced from 5 to 3 per cent.

Section 616 of the House bill, retained as section 605, provides that the lease of an article shall be considered the sale of an article, so that the tax can not be evaded by a lease contract which does not involve passage of title.

Sections 617 and 618 of the House bill have been eliminated and a more complete set of administrative provisions inserted in their place.

Section 619 of the House bill, transferring the tax to the vendee in the case of contracts made before March 1, 1932, retained as section 611, is amended by substituting the date of May 1, 1932, for March 1, 1932, as the date as of which vendors may be fairly considered to have had notice of the likelihood of the imposition of the taxes. This seems equitable in view of the fact that the rates carried in the bill as passed by the House and reported to the Senate are higher than those in the bill as reported to the House, which contained the date of March 1. A provision is inserted to prevent transfer of the tax to the vendee when the vendor has agreed to assume it. Another amendment provides for a report by the vendor to the commissioner when the vendee refuses to pay the tax to the vendor.

The section relating to rules and regulations has been amended to make it clear that the rules and regulations relating to the taxes on importations shall be prescribed in the same manner as the customs regulations.

TITLE V.—MISCELLANEOUS TAXES

PART I. TAX ON TELEGRAPH, TELEPHONE, RADIO, AND CABLE FACILITIES

The House bill provided for rates applicable to all telegraph, telephone, cable, and radio dispatches, messages, and conversations as follows: If the charge is more than 30 cents and less than 50 cents, a tax of 5 cents; if the charge is 50 cents or more, a tax of 10 cents. Your committee believes that these different classes of services call for different treatment, and proposes the following rates:

Telephone conversations costing 50 cents or more and less than $1, 10 cents; costing $1 or more and less than $2, 15 cents; costing $2 or more, 20 cents.

Telegraph dispatches and messages, 5 per cent of the charge.

Cable and radio dispatches and messages, 10 cents each.

The tax on leased wires and talking circuit special services is reduced from 10 per cent to 5 per cent.

The exemptions in favor of radio broadcasting companies and newspapers have been eliminated.

Provision has been inserted for extension of the due date of the taxes for not more than 90 days. The companies affected deal with large numbers of small accounts which are likely not to be paid for 60 or 90 days, and the extension privilege will enable them to defer the return until the amounts are collected and still have the return correspond with one month's entries on their books. This will be a convenience both to the Government and the taxpayers.

The provisions which are incorporated in the new Part VII on administrative provisions have been stricken from Part I.

PART II. ADMISSIONS TAX

The House bill reduced the exemption on admissions from $3 or less to 45 cents or less. Your committee proposes to reduce this exemption to 10 cents or less. This will yield $70,000,000 for the fiscal year 1933 more than the House bill.

The House made the rate on prize fights and other pugilistic matches or exhibitions the same as for admissions in general, as compared with 25 per cent on admissions over $5, under the present law. The higher rate has led to evasion of the tax, and it is believed that the reduction will result in an increase in the number of legitimate charges over $5 and a gain in the revenue from this source.

The rate on admissions to horse and dog races has been made 25 per cent.

The tax on charges by ticket brokers in excess of the established price is made a straight 10 per cent, the amendment of existing law made by the House bill being retained. The present law imposes a tax of 5 per cent on the first 75 cents of the excess over the established price and 50 per cent of the amount by which the additional charge exceeds 75 cents. It is believed that the present law penalizes brokers engaged in a legitimate business, that it has failed of its purposes, and that the proposed rate will about double the revenue.

The exemption of admissions the proceeds of which inure to the benefit of religious, educational, charitable, and like institutions and organizations has been subject to much abuse with respect to wrestling matches and prize fights and other pugilistic matches and exhibitions.

The House bill provided that this exemption should not be granted in the case of such matches or exhibitions, and that colleges and universities should not have benefit of the exemption. Your committee is opposed to the taxation of college sports and has amended section 711 (c) accordingly.

A new section exempting admissions to the 1932 Olympic games has been added.

PART III. STAMP TAXES

Section 721 of the House bill, increasing the rate of tax on bond issues from 5 cents to 10 cents, has been amended to exempt certain annuity contracts which have been held taxable under existing law as "corporate securities."

Amendments have been made to section 722, providing for a like increase of tax on stock issues, to make it clear that the basis of computation of the tax remains the par value of the certificate as distinguished from the shares. Similar amendments are made in section 723, relating to stock transfers.

Your committee has stricken out the provision of the House bill providing that the tax on stock transfers should not be less than one-fourth of 1 per cent of the selling price, if any. It is believed that this is a burdensome rate and that the provision would cause administrative difficulties.

The House bill eliminated the provision of existing law exempting loans of stock. Your committee has restored this exemption, since the loaning of stock is essential to the carrying out of many legitimate transactions, such as the sale of stock by those living at a distance from the stock exchange.

An exemption of transfers from a fiduciary to a nominee and between nominees of the same fiduciary has been added.

Section 722 (b) of the House bill, intended to prevent evasion of the tax by resort to foreign exchanges, has been eliminated. With the reduction in the rate, the danger which subsection (b) was intended to meet will not exist.

Section 724, imposing a tax on bond transfers, has been amended by changing the rate from 2 cents to 4 cents per $100 of face value or fraction thereof, and by striking out the provision that the tax shall not be less than one-eighth of 1 per cent of the selling price, if any. Your committee believes that the enforcement of a percentage rate would be especially difficult in the case of transfers of bonds, only a relatively small number of which are made on exchanges.

An amendment is inserted to make it clear that bonds exempt from the tax on issuance, such as Federal, State, and municipal bonds, are not to be subject to the transfer tax.

Transfers of bonds in connection with tax-free corporate reorganizations and transfers of bonds from a fiduciary to a nominee and between nominees of the same fiduciary are exempted.

Section 725, imposing a tax on conveyances similar to that imposed by Schedule A of the revenue act of 1924, has been amended to exempt deeds which were deposited in escrow before April 1, 1932.

Under the House bill the stamp tax on sales of produce for future delivery imposed by subdivision 4 of Schedule A of Title VIII of the revenue act of 1926 is increased from 1 cent to 5 cents. Your committee has stricken out of the bill the proposed increase.

PART IV. TAX ON TRANSPORTATION OF OIL BY PIPE LINE

The rate under section 731 on transportation of oil by pipe line has been reduced from 8 to 3 per cent. The word "oil" has been changed to "crude petroleum and liquid products thereof." This will make transportation of gasoline as well as crude oil taxable.

Amendments have been made to impose the tax on the pipe line rather than the person paying for the transportation. The provisions covered by the new Part VII have been stricken out.

PART V. TAX ON CHECKS, ETC.

Your committee has inserted a tax of 2 cents on each bank check or draft, to raise $95,000,000 in the fiscal year 1933. This tax is to be collected by the bank from its customers by charges against their accounts. This method of collection is expected to be much less of a nuisance and expense to both the banks and their customers than a stamp tax would be. It will eliminate the necessity of the banks carrying stocks of stamps and stamped checks and the waste occasioned by their redemption and destruction when the tax ceases to be in effect.

The former Part V, tax on leases of safe-deposit boxes, has been stricken out.

PART VI. TAX ON CIGARETTE PAPERS

Under existing law cigarette papers in books of 25 or less are exempt from tax. This is to permit free distribution of such books with packages of tobacco. This privilege is being abused and the tax evaded by giving with one package of tobacco two or more books of 25 papers each. To eliminate this practice the exemption of the small books is eliminated and the tax is made applicable to withdrawals for consumption or sale as well as to sales.

PART VII. ADMINISTRATIVE PROVISIONS

To eliminate duplication the administrative provisions applicable to the new taxes imposed by Title V have been combined in Part VII.

TITLE VI.—ESTATE TAX AMENDMENTS

SECTION 801. CREDIT OF GIFT TAX ON ESTATE TAX

This section authorizes a credit for gift taxes against the estate tax where any property subject to the gift tax is required to be included in the donor's gross estate on his death.

This credit provision is substantially the same as section 322 of the revenue act of 1924 (relating to the gift tax imposed by that act), with the addition of the exception stated in the latter portion of paragraph (1).

This added exception is inserted in view of the fact that, on account of the graduated rates, the total gifts subject to gift taxes (some of which may be included for estate-tax purposes and some not) may be larger than the net estate subject to estate tax, and the estate-tax rate lower than the gift-tax rate. For example, the gifts may amount to $10,000,000, of which $1,000,000 may be subject to estate tax and the property owned by the donor when he died may amount to $500,000 (after deductions); thus the net estate would be $1,500,000 and the estate-tax rate considerably lower than the gift-tax rate. Such a situation would result in complete exemption of the estate from estate tax if it were not for the exception mentioned. The exception is designed to obviate this result by limiting the credit as provided in this section. The parenthetical clause, a part of the exception, is required by the fact that only the "lower" value is subject to both the gift and the estate tax. For example, if the gift-tax value is $600,000 and the estate-tax value $1,000,000, the lower value ($600,000) is the only one which has been the subject of both taxes. The excess ($400,000) has been the subject of estate tax only.

Paragraph (2) is required to indicate the amount of gift taxes for which credit is allowable where there are gifts in a calendar year which are included in the donor's gross estate for estate-tax purposes, and other gifts for the same year which are not so included.

SECTION 802. EIGHTY PER CENT CREDIT

A credit against the estate tax for State death taxes paid was first authorized by the revenue act of 1924 (sec. 301 (b)), where the credit was permitted up to 25 per cent of the estate tax. This percentage was increased in the revenue act of 1926 (sec. 301 (b)) to 80 per cent. Under existing law the credit includes only such State death taxes as are actually paid and credit therefor claimed within three years after the filing of the estate-tax return. This restriction has worked unfairly in certain instances, particularly where appeals to the Board of Tax Appeals have had the effect of postponing the final determination of the amount of the estate tax and consequently the State death taxes until after the expiration of the 3-year period.

The principal amendment made by this section is designed to effect an appropriate extension of the period for paying State death taxes and claiming credit therefor.

Subsection (a) of this section amends subdivision (b) of section 301 of the revenue act of 1926. The changes are:

(1) A clarifying provision to remove any basis of a claim for credit for State death taxes paid with respect to another person's estate, where the property is included in the decedent's estate.

(2) A specific provision that the 80 per cent limitation be computed after credit is made for the gift tax; that is, that the gift tax is first to be credited against the Federal estate tax, and the credit for State death taxes is limited to 80 per cent of the balance.

(3) An extension of the period for paying State death taxes and claiming credit from three to four years after the filing of the return.

(4) A provision in substance allowing the estate the entire period during which the case is before the board, and 60 days thereafter to pay State death taxes and claim credit therefor. Many of the States have passed estate tax laws, designed to procure for the State the difference between 80 per cent of the Federal estate tax and the ordinary State inheritance taxes. In actual practice the State tax authorities decline (in many cases under the express provisions of State law are unable) to determine the State estate tax until the Federal estate tax is fixed. If the estate files a petition with the board, it may be very much longer than three or four years after the filing of the return before the board or the courts to which appeals are taken render a final decision.

(5) A provision to the effect that, if the estate procures an extension of time to pay the tax (on account of undue hardship), a similar extension is granted for paying State death taxes and claiming credit therefor.

(6) A provision to the effect that a refund based on the credit may be made if claim therefor is filed within the above period, despite the provisions of section 319.

The interest provision is designed to prevent the allowance of interest, accruing after enactment of the pending bill, on any refund due to the State death-tax credit. In some instances interest on the 80 per cent refunded would equal or exceed the 20 per cent, which the Federal Government is permitted to retain.

Subsection (b) of this section makes it clear that where the right to a credit for State death taxes is barred at the time of the enactment of this act such right is not revived by any provision of this section, except that by a committee amendment to this subsection the right to claim a credit for State death taxes (within the period provided in subsection (a)) is saved to estates which have filed petitions with the Board of Tax Appeals within the time specified by statute.

SECTION 803. FUTURE INTERESTS

The purpose of this amendment to section 302 (c) of the revenue act of 1926 is to clarify in certain respects the amendments made to that section by the joint resolution of March 3, 1931, which were adopted to render taxable a transfer under which the decedent reserved the income for his life. The joint resolution was designed to avoid the effect of decisions of the Supreme Court holding such a transfer not taxable if irrevocable and not made in contemplation of death. Certain new matter has also been added, which is without retroactive effect.

The changes are:

(1) The insertion of the words "or for any period not ascertainable without reference to his death" is to reach, for example, a transfer where decedent reserved to himself semiannual payments of the income of a trust which he had established, but with the provision that no part of the trust income between the last semiannual payment to him and his death should be paid to him or his estate, or where he reserves the income, not necessarily for the remainder of his life but for a period in the ascertainment of which the date of his death was a necessary element.

(2) The insertion of the words "or for any period which does not in fact end before his death," which is to reach, for example, a transfer where decedent, 70 years old, reserves the income for an extended term of years and dies during the term, or where he is to have the income from and after the death of another person until his own death, and such other person predeceases him. This is a clarifying change and does not represent new matter.

(3) The insertion of the words "the right to the income" in place of the words "the income" is designed to reach a case where decedent had the right to the income, though he did not actually receive it. This is also a clarifying change.

(4) The insertion of the words "either alone or in conjunction with any person" is to reach a case where decedent had a right, with the concurrence of another person or persons, to designate those who should possess or enjoy the property or the income therefrom.

The amendments to section 302 (f) and section 315 (b) of the revenue act of 1926 are to bring these sections into agreement with section 302 (c) of the 1926 act, as amended, in the respects above indicated.

SECTION 804. RELINQUISHMENT OF DOWER, ETC., AS CONSIDERATION

This amendment excludes, in determining "consideration in money or money's worth," the value of a relinquished, or a promised relinquishment of, dower, curtesy, or other marital rights in decedent's property. Section 302 (a) and (b) of the 1926 act require the value of such an interest to be included in the gross estate, and, if its value may, in whole or in part, constitute a consideration for an otherwise taxable transfer (as has been held to be so), or an otherwise unallowable deduction from the gross estate, the effect produced amounts to a subversion of the legislative intent expressed in section 302 (a) and (b).

For example, a decedent dies leaving an estate of $1,500,000 (after payment of all charges), and under the State law the surviving spouse is entitled to one-third, or $500,000, of which she can not be deprived by will without her consent. Under existing law the estate is entitled to no deduction on account of her statutory rights, but, if she and decedent had entered into a contract by which she was to receive from his estate a stated sum in consideration of a waiver of her statutory rights, the amount due her under the contract might be held a deductible claim against the estate as having been contracted for an adequate and full consideration in money's worth, namely, the value of her waived marital rights.

SECTION 805. DEDUCTIONS

This amendment, with one exception, merely clarifies the existing law so far as it relates to an important group of deductions allowable in computing the net estate subject to estate tax. The principal changes made are:

(1) A more definite statement that, in order for a mortgage to be deducted, the full value of the mortgaged property must be included in the gross estate. This change is merely for clarification.

(2) A clarifying provision to remove any question as to the deductibility of property taxes which did not accrue until after decedent's death. Such taxes are not claims nor administration expenses, and moreover are allowed for income-tax purposes.

(3) A change has been made in connection with the allowances of losses during the settlement of the estate as deductions to correspond with the change made under section 23 (e) of the income-tax title.

(4) A clarifying provision limiting the requirement of an adequate and full consideration in money or money's worth to liabilities founded on contract. The existing law might be open to a construction under which no claim against the estate would be deductible unless supported by an "adequate and full consideration in money or money's worth," but the real intent could hardly have been to deny the deduction of liabilities imposed by law or arising out of torts, and the amendment whereby the requirement of a consideration applies only where the liability is founded on contract is designed to clear up any doubt which may be thought to exist.

SECTION 806. PRIOR TAXED PROPERTY

Under existing law, where two decedents die within five years of each other, if the first estate pays a tax and there is included in the second estate property which was also included in the first estate, deduction is allowed to the second estate on account of the property previously taxed. A similar provision is made for a deduction to an estate where the decedent received property by gift within five years prior to his death and a gift tax was paid upon such gift. Since the same rules apply in the two classes of cases, and this amendment has a common application, the explanations which follow will, for convenience, deal only with the situation of two decedents dying within five years of each other.

The principal changes in existing law made by this amendment are:

(1) Provision for reducing the deduction where a mortgage or other lien was allowed as a deduction to the first estate but was paid in whole or in part prior to the second decedent's death. For example, there may have been included in the first estate an item of property valued at $100,000, against which a deduction was allowed for a mortgage thereon of $25,000 (the only value actually taxed being $75,000). The mortgage was paid between the two deaths and the property included in the second estate at $100,000. A literal interpretation of the existing law might seem to require a deduction to the second estate of the full value of the property, though the prior estate paid a tax on the equity of redemption only.

(2) Provision for reducing the deduction for prior taxed property on account of other deductions, such as claims against the estate, administration expenses, charitable bequests, and the specific exemption. The words "and not deducted under paragraphs (1) and (3) of this subdivision" were inserted in section 403 (a) (3) of the revenue act of 1921 to prevent a double deduction, but that purpose has not been entirely accomplished. Under existing law, if the decedent received from the first decedent bonds valued at $100,000, and specifically bequeathed those bonds to charity, only one deduction would be allowed. However, if instead of specifically bequeathing the bonds, he gave charity a general legacy of $100,000, which could be satisfied out of property other than the bonds, two deductions would be allowed. Under the amendment, the allowable deduction in the two examples is the same, namely, the full amount of the charitable bequest and a pro rata part of the prior taxed property.

(3) Provision to the effect that where the prior taxed property consists of two or more items the aggregate value is to be used in computing the deduction. Under existing law, where there is a variance in the value of any items of property between the date of death of the first decedent and the date of death of the second decedent, the lower value of each item is used for the purpose of computing the deduction. Under the amendment the lower of the two totals, instead of the lower of each item, is used. For example, if one item is valued at $8,000 in the first estate and at $10,000 in the second estate, $8,000 is deducted as prior taxed property. If another item is valued at $12,000 in the first estate and at $9,000 in the second estate, $9,000 is deducted. It will be noted that the total of the two lower values is $17,000, which is the amount deducted as prior taxed property under existing law for the two items. The total of the two items in the first estate is $20,000, and in the second estate $19,000. Under the amendment $19,000 will be deductible as prior taxed property.

SECTION 807. DEDUCTION OF BEQUESTS, ETC., TO CHARITY

The purpose of this amendment is to limit the deduction for charitable bequests, etc., to the amount which the decedent has in fact and in law devised or bequeathed to charity. Under existing law no consideration can be given to any estate, succession, legacy, or inheritance taxes imposed with respect to a decedent's estate even though by the terms of his will or the local law they actually reduce the amount of such bequest or devise. It is evident that where the decedent gives his residuary estate to charity, but by his will directs that such taxes shall be paid therefrom, all that he gives to charity and all that charity is entitled to receive is the residuary estate reduced by the amount of the taxes charged against it; the residuary estate being what is left after the subtraction of such taxes and other charges and prior bequests. This is equally true where, in the absence of such a direction in the will, such taxes under the local law are payable out of the residuary estate.

This amendment restores the sentence appearing in sections 303 (a) (3) and 303 (b) (3) of the revenue act of 1924, which was retroactively repealed by section 323 of the revenue act of 1926.

The Supreme Court on February 18, 1924, in the case of Edwards *v.* Slocum (264 U. S. 61), held that, as a matter of construction, a residuary gift to charity was not to be reduced by the Federal estate tax which was imposed on so much of the estate as the testatrix had bequeathed to individuals. Under the State law the estate tax was payable generally out of the estate and so fell upon and reduced the residuary estate given to charity. As a legislative reversal of the decision in that case, the sentence referred to was incorporated in the revenue act of 1924 and covered Federal estate taxes as well as State inheritance taxes where, either by the terms of the will or by the local law, any such tax operated to reduce the amount given to and received by charity. In view of the retroactive repeal of the sentence, the Treasury took the position that the legislative intent thereby indicated necessarily extended both to the Federal estate tax and to State inheritance taxes.

Under the existing law, most absurd results are reached. Thus, if a testator gives his residuary estate to charity and directs that the Federal estate tax and the State inheritance taxes shall be paid out of such estate, the result may be that nothing is left for charity. In such case, notwithstanding nothing is given to charity and charity receives nothing, still there must be deducted from the gross estate a wholly fictitious sum, namely, what he would have given to charity had he not directed otherwise. The result in all other cases to which the amendment will apply varies from the foregoing example in degree only.

SECTION 808. EXTENSION OF TIME FOR PAYMENT

Under the existing law the commissioner is authorized to extend the time for the payment of the estate tax reported by the executor on the return for a period not in excess of five years from the due date. Under the bill the commissioner is given authority to extend the time for payment of such tax for a period not in excess of eight years from the due date. In the case of a deficiency in estate tax, the commissioner may extend the time for payment for a period not to exceed two years under existing law. This period is changed under the bill from two to four years. The running of the statute of limitations on assessment and collection is suspended for the period of the extension in the case of both the tax reported by the executor and the deficiency.

SECTION 809. LIEN FOR TAXES

This provision reenacts the second sentence of section 315 (a) of the revenue act of 1926, which was repealed by section 613 (b) of the revenue act of 1928, and restores to the commissioner authority for the release of the lien imposed by section 315 (a). Under existing law there is no authority for the release of a tax lien until an assessment has been made. As applied to the estate tax, this limitation has been found to be too onerous. Oftentimes estates require a partial release of lien shortly after the decedent's death and before a return can be prepared or filed, and, if the release must await an assessment, the resulting loss and inconvenience to the estate is manifest.

SECTION 810. REFUNDS

The purpose of this amendment is to remove all question as to the precise effect of a period of limitation on refunds which runs from the payment of the tax. However, contentions in favor of a contrary effect are left open for determination by the courts in cases where refund claims were filed prior to the enactment of the amendments.

SECTION 811 OF HOUSE BILL—REVALUATION OF DEPRECIATED ESTATES

The House bill contains a provision granting relief retroactively to estates whose assets greatly decreased in value subsequent to their valuation for estate-tax purposes as of the date of death. Under this provision the executor of a decedent who died on or after September 1, 1928, and prior to January 1, 1932, may elect to have the estate valued for estate-tax purposes as of a date 18 months subsequent to the date of death. In such cases, it is provided that the amount to be paid as the tax shall be an amount which bears the same ratio to a tax computed without reference to the provision as the value 18 months after death bears to the value at the date of death, but in no event is this amount to be less than 60 per cent of a tax computed without reference to the provision. Your committee has stricken this provision from the bill. It develops that it will seriously affect not only Federal revenue but also State revenues.

While the loss in revenue to the Federal Government is considerable, such loss is inconsequential as compared with the loss which the States will be forced to bear if this provision is enacted into law. This is due to the fact that many States have enacted legislation taking advantage of the 80 per cent credit provision of the revenue act of 1926. In such cases, 80 per cent of the burden occasioned by such relief must be borne by the States, while the Federal Government bears only 20 per cent of such burden. Many of the States have already collected death duties based upon the valuation of property at the date of death, and the amounts collected have already been expended for public purposes. Moreover, it is contended that such a provision will compel the States in many cases to abate outstanding taxes.

SECTION 811. FUTURE INTERESTS—EXTENSION OF TIME FOR PAYMENT OF TAX

In cases where there is included in the gross estate the value of a remainder or reversion which will not come into possession until the falling-in of the precedent interest or interests, the payment of the whole amount of the tax at the time now required may occasion considerable hardship. For example, A acquired from his father's estate a remainder in certain property which is to take effect in possession upon the termination of a life estate to B, and A dies during the lifetime of B. Or, A grants to B an estate for the life of B, and dies during B's lifetime. There is included in A's gross estate, the present value of the remainder, or reversion, which passes upon his death, which, although of substantial value, may not be readily salable or readily available as security for a loan. Your committee has therefore added a provision which permits, in such a case, the postponement of payment of the part of the tax attributable to the reversionary or remainder interest or interests until six months after the termination of the precedent interest or interests in the property. The provision, of course, is limited to cases where the property included in the gross estate is the reversionary or remainder interest as such and does not extend to the case where the decedent merely creates future estates by his own testamentary act. Postponement of payment is conditioned, however, upon the giving of bond to secure the payment of the part of the tax attributable to the future estate, with interest from 18 months after the decedent's death.

Credit for such State taxes as are allowed under section 301 (c), attributable to the reversionary or remainder interest, may be allowed if such taxes are paid, and credit claimed, at any time prior to 60 days after the termination of the precedent interest or interests. The bill does not attempt to prescribe details as to the allocation of the tax, or the credit under section 301 (c), to the future estate, or as to the adjustment of the postponed amount as the result of a redetermination of the tax, as all of these matters may more appropriately be covered in the Treasury regulations. This section is also applicable in respect to the additional tax imposed by Title II of this act.

TITLE VII.—TAX ON TRANSFERS TO AVOID INCOME TAX

SECTIONS 901, 902, 903, AND 904. TAX ON TRANSFERS TO AVOID INCOME TAX

The House bill imposes an excise tax upon the transfer of stock or securities by a citizen or resident of the United States or by a domestic corporation to a foreign corporation as paid-in surplus or to a foreign trust. The tax is to be measured by the excess of the value of the stock or securities transferred over the adjusted basis thereof as determined under section 113. Your committee concurs in the need for this tax to prevent avoidance of tax by transferring stock or securities appreciated in value to foreign corporations or foreign trusts prior to the sale thereof, but has concluded that the scope of the section should be enlarged in order the more effectually to accomplish its purpose.

Section 901 has therefore been enlarged to include not only transfers by a citizen or resident of the United States or by a domestic corporation but also transfers by a partnership or by a domestic trust (in contrast to a "foreign trust" as defined in section 903) and, furthermore, to include transfers to foreign trusts, foreign partnerships, and foreign corporations whether made as contributions to surplus or to capital. Section 902, which relieved certain transfers from the tax, has been restricted by the elimination of the portion of the House bill which exempts transfers for adequate and full consideration in money or money's worth. In this connection your committee believes that the bill should not either expressly or by implication permit the argument that an increment in value of shares or of a beneficial interest resulting from a transfer of stocks or securities should be considered full consideration in money or money's worth, and that the presence of a valuable and adequate consideration in a transaction should simply constitute one of the elements of the transaction on which the commissioner should base his conclusion as to whether one of the principal purposes of the plan is to avoid Federal income taxes. Your committee believes that the commissioner should have the widest latitude for the exercise of a sound discretion in the application of this title, both before and after the transfers are carried out.

The definition of a "foreign trust" contained in section 903 of the House bill has been slightly changed. Under the amended definition a trust is classified as "foreign" if the profit from the assumed sale of the transferred property would not be included in the gross income of the trust, the classification not being made dependent upon whether or not such profit would be taxable to the trust. This change removes any doubt concerning trusts the income of which is currently distributable and, therefore, never taxed to the trust under the income-tax title.

Section 904 has been enlarged to give the commissioner power, under proper regulations, to abate, remit, or refund a tax imposed, assessed, and/or collected under this title, if the commissioner is satisfied that the transfer was not made in pursuance of a plan having as one of its principal purposes the avoidance of Federal income taxes; this provision is likewise designed to afford the commissioner a wide latitude in his examination of the transaction as carried out and his determination in respect thereof. Otherwise, the new draft of this section follows the House bill in prescribing that the tax becomes due and payable by the transferor at the time of the transfer and in giving the commissioner authority to prescribe regulations for its assessment and collection.

TITLE VIII.—ADMINISTRATIVE AND GENERAL PROVISIONS

SECTION 1101. REVIEW OF DECISIONS OF THE BOARD OF TAX APPEALS

Section 1001 (a) of the revenue act of 1926 has been amended to reduce the period within which a petition for review of decisions of the Board of Tax Appeals may be filed from six months to three months after the decision of the board is rendered. This action brings the rule governing the period within which a petition for review of Board of Tax Appeals decisions may be filed into harmony with the rule governing the time in which a petition for review of decisions of district courts of the United States may be filed; such period was reduced from six to three months some years ago, and your committee sees no reason why a longer period should be allowed in board cases than in court cases. It is believed that this change would expedite the final closing of cases and will result in considerable saving of interest both to the Government and to the taxpayer. The rule is made to apply only in the case of decisions rendered after the passage of the act.

SECTION 1102. BOARD OF TAX APPEALS—FEES

Under existing law the board is authorized to fix a fee for preparing and comparing a transcript of the record, but no authority is given the board to fix a fee for furnishing certified copies of other miscellaneous documents. It has become an almost daily practice for taxpayers or their attorneys to call upon the board for certified copies of miscellaneous documents. The proposed bill remedies this situation by giving the board authority to fix a fee for copying any record, entry, or other paper, and the comparison and certification thereof.

SECTION 1103. LIMITATION ON SUITS BY TAXPAYERS

Section 3226 of the Revised Statutes, as amended by section 1113 of the revenue act of 1926, provided generally that no suit or proceeding for the recovery of internal-revenue taxes, penalties, or sums may be brought after the expiration of five years from the date of payment of such taxes, etc., unless such suit is begun within two years after the disallowance of the part of the claim for refund or credit to which the suit relates. Under the existing law, the exact date of disallowance is sometimes difficult of ascertainment, with the consequent uncertainty in such cases as to when the statute of limitations on suits begins to run. Moreover, the use of the two periods (five years and two years) which run from the happening of different events tends to confusion. Your committee is of the opinion that the best interests of all parties concerned will be served by an amendment which makes the date of disallowance of the claim absolutely certain in every case and which specifies but one limitation period after that date. Accordingly, the bill requires the mailing of a notice of disallowance by registered mail, and the bringing of a suit or proceeding within two years from the date of such mailing. Suits or proceedings instituted before the enactment of this bill and suits or proceedings instituted after the enactment of this bill based upon claims or parts of claims which were disallowed prior to the enactment of this bill are not affected by the amendment and remain subject to the limitations provided in the existing law.

SECTION 1104. DATE OF ALLOWANCE OF REFUND OR CREDIT

Under the practice once prevailing in the Bureau of Internal Revenue the commissioner first signed a schedule of overassessments, which fixed the amount of the taxpayer's overassessment, and later, after the collector had made appropriate adjustments to the taxpayer's account in accordance with this schedule, signed a schedule of refunds and credits, which formally approved the action so taken and directed the making of any money payments due the taxpayer. In recent years the schedule of refunds and credits has been abandoned; the commissioner's final action consists in signing the schedule of overassessments, which in itself contains complete directions as to the further steps to be taken toward abating, crediting, or refunding the overassessments entered on the schedule. Some question has arisen as to whether

certain court decisions, rendered upon the basis of the previous practice and holding that the allowance of the refund or credit takes place upon the signing of the second schedule, are applicable under the new practice. The provisions of this section, added by your committee, establish a rule which accords with the practice of the Treasury and permits the allowance of refunds and credits with the minimum of difficulty to the Government and the taxpayers as well. It protects the interests of small taxpayers particularly, who may not learn of any refund or credit which may properly be due them in sufficient time to file a claim and may lose the benefit thereof unless the commissioner by signing the schedule of overassessments can make the allowance within the statutory period. In order to settle any question as to the commissioner's allowance of a number of small refunds and credits in cases recently arising, your committee has made the provisions of this section retroactive to the date of the enactment of the 1928 act.

SECTION 1105. JEOPARDY ASSESSMENT

This section authorizes prompt collection of internal-revenue taxes (other than income taxes, which are provided for under existing law) when the commissioner finds that delay until the due date fixed by law would jeopardize collection. Provision is made for postponement until the due date fixed by law if the taxpayer furnishes proper security.

SECTION 1106. REFUNDS OF MISCELLANEOUS TAXES

This section amends section 3228 of the Revised Statutes so as to expressly prohibit refund of the portion of any taxes paid more than four years before the filing of the claim (or allowance of the refund, if no claim was filed).

SECTION 1107. SPECIAL DISBURSING AGENTS OF THE TREASURY

This section permits internal-revenue agents in charge of divisions to act as special disbursing agents of the Treasury for the payment of all salaries and expenses of such divisions upon the giving of sufficient bond. The Treasury for some time has had a revenue agent designated as disbursing officer to pay the salaries of employees. The Comptroller General has raised some question as to whether this was authorized under the law contending that a collector is the only one authorized to act as disbursing officer. This amendment is made to remove any question as to the right of revenue agents to act as disbursing officers of the Treasury.

SECTION 1108. REFUND OF TAXES FOR TAXABLE YEAR 1918

Prior to the revenue act of 1924, claims for refund were required to be filed within five years from the time the return was due. Under the revenue act of 1924 and subsequent acts, the time for filing refund claims was changed, the period being reckoned from the date of payment of the tax instead of the due date of the return. In making this change from the 1921 act, the 1924 act included a saving clause permitting claims for refund for the years 1919 and 1920 to be filed within five years from the time the return was due. The year 1918 was inadvertently omitted from the saving clause, presumably on the theory that the 5-year period in such a case had expired prior to the enactment of the 1924 act. This assumption has been found to have been in error. The provisions of the revenue act of 1924 were incorporated into the revenue act of 1926. Your committee corrects this error by inserting in the saving clause of section 284 (h) of the revenue act of 1926, the year 1918.

SECTION 1109. JOINT VENTURES, SYNDICATES, POOLS, AND OTHER SIMILAR ORGANIZATIONS

Some confusion has existed over the requirements of the prior acts as to the time and manner of returning income from the operations of joint ventures, syndicates, pools, and similar organizations. If the syndicate was not an association, partnership, or trust within the meaning of the act there was no express requirement in the act or regulations for the filing of a syndicate return, and the sole responsibility of making returns of the annual gains and losses of the syndicate was placed upon the several members. Quite frequently, however, the members of such a syndicate overlooked the necessity of their making returns each year of their shares in the annual gains and losses from syndicate operations and assumed that they were required only to make returns of their shares in the ultimate gain or loss from the entire syndicate operations in the year when the syndicate was wound up or liquidated. Moreover, a strict observance of the letter of the prior acts would have required each member to determine his annual share in the syndicate gains or losses upon the basis of his own accounting period and according to his own method of accounting, irrespective of the accounting period or method of accounting upon which the books or records of the syndicate were kept.

The bill does away with this uncertainty by placing all joint ventures, syndicates, pools, and similar organizations which do not constitute associations or trusts in the category of partnerships, and the members of such syndicates, pools, etc., in the category of partners. This provision will have the effect of requiring the syndicate to file a partnership return and will thus make it easier for the members to determine the distributive shares in the syndicate gains and losses which are to be included in their own returns.

[Senate Report 665, part 2, Seventy-second Congress, first session]

REVENUE BILL OF 1932

Mr. WALSH of Massachusetts, from the Committee on Finance, submitted the following minority views (to accompany H. R. 10236):

We emphatically dissent from the inclusion in the revenue bill as reported by the Finance Committee of the tariff duties on oil, coal, copper, and lumber, masquerading as excise taxes. We regard the inclusion of these tariffs in the present bill, under all the circumstances, as utterly indefensible. We believe that it is unsound in principle and dangerous in practice to attempt to make the present revision of our domestic tax laws the vehicle for tariff tinkering. Furthermore, the prospective revenue yield of these proposed tariff taxes is negligible.

More important is the fact that these tariffs, at best, will be of doubtful benefit to domestic producers, may adversely affect domestic consumers, and will work most certain injury to our foreign trade and our foreign relations. The probable ultimate consequences of this further attempted tampering with a desperately sick economic situation throughout the world may well occasion the gravest apprehension.

No argument has been advanced in favor of the present tariff proposals on oil, coal, copper, and lumber that was not presented to and rejected by the Congress in the framing of the Smoot-Hawley Tariff Act of 1930, other than the fact that these industries are in a more depressed state now than then, and their necessities for relief more urgent now than at that time. The same may be said for every other industry in the country, and if the distress of American industry is to be the excuse and justification of new tariff levies, of increased tariff rates, and of embargoes, then why stop with oil, coal, copper, and lumber; why single them out for special tariff favor?

An outstanding factor in regard to all of the industries which would be protected by these new tariffs is the point that each has been primarily an export industry and continues to export a substantially larger value of products annually than it imports. Thus, even in the depression year of 1931, the net balance of exports over imports for the items for which duties have been proposed was as follows: Petroleum and products, $177,758,000; coal, $54,984,000; lumber, rough and planed, $29,830,000; copper, $6,003,000; coke, $3,494,000.

In other words, it is proposed to risk the loss of an export trade which amounted even in a very poor year to $440,000,000—18½ per cent of our entire foreign business—for the sake of eliminating an import business valued at $175,000,000. It is elimination or embargo of imports that is the real objective of the proponents of these tariffs, and if the proposed duties were successful in raising domestic prices they would most certainly make it impossible for the American products affected to compete with the excluded imports in world markets and would decrease to that extent at least the volume of our export trade.

However, the results of these new tariffs upon American foreign trade would not be confined to the items immediately affected. Canada, which furnishes us with lumber and copper, Venezuela, Colombia, and Mexico, which supply us with petroleum, and Chile and Peru, which send us copper, would all be seriously irritated by these embargoes against their trade and would most certainly retaliate with countermeasures to exclude exports of American manufactures.

A further important consideration is the fact that the proposed tariffs on copper involves a readjustment upward of a host of other tariff rates. Every article of import in which copper has a part is to take an equivalent compensatory duty. Thus with the stroke of a pen it is proposed to alter the cost and the price of hundreds of articles in common use. The resulting upset and confusion in trade and commerce is self-evident.

In the final analysis, therefore, the tariff items in the revenue bill will raise little, if any, revenue, will seriously disrupt our foreign trade; no benefit will accrue to the domestic industries involved unless they result in increased prices in the home market; and if increased prices do result, to that extent a new burden is laid upon the already impoverished and overtaxed consumer.

OIL

With respect to the proposed duties on petroleum products it is to be noted that the total domestic production of crude petroleum in 1931 amounted to 850,261,000 barrels; total imports of crude and refined petroleum products amounted to 86,082,000 barrels; total exports of crude and refined petroleum products and bunker fuel oil amounted to 168,229,000 barrels. Our exports were twice our imports and our imports about 10 per cent of our domestic production.

Witnesses before the committee for and against these oil-tariff proposals were in hopeless disagreement as to almost every essential phase of the controvery. The proponents contended that these tariffs would yield large revenues to the Government because they would not operate as an embargo on imported oil and gasoline. They claimed the imports would come in just the same; that the tariff of 2½ cents per gallon would be without effect on the price of gasoline in the American market; that the rate of 1 cent per gallon on crude and fuel oil as carried in the House bill (the Senate bill as reported carries a rate of one-half cent per gallon) was insufficient to measure the difference in cost of production here and abroad. They further stated the tariff would not substantially increase prices of crude and fuel oil in the home market, hence would be no burden upon the consumer and yet that these tariffs would be a priceless boon to the hard-pressed and depressed domestic oil industry.

The opponents contended that the tariffs would act as an embargo, would yield no revenue, would raise the price of fuel oil and gasoline to the American public by the full amount of the tariff and more, would operate as a tax upon our own citizens of hundreds of millions of dollars annually and all for the enrichment of a group of major oil companies who own 97 per cent of the

623,000,000 barrels of oil in storage, this stored oil comprising 70 per cent of one year's supply.

On the question of revenue yield Secretary of the Treasury Mills replied to a question as to whether a tariff of 1 cent on crude and fuel oil and 2 cents on imported gasoline would produce any revenue as follows:

"In the opinion of the experts of the Department of Commerce such a tax would yield no revenue, since the levy which would be added to the import price exceeds the margin of advantage on which oil is imported to this country and would therefore exclude the products affected."

On the question of the effect of the tariff on the price of oil and gasoline to the American public, since the domestic production of gasoline is so far in excess of domestic requirements and the import of gasoline so relatively trivial (13,621,000 barrels of gasoline were imported in 1931 as compared with a domestic consumption of gasoline of 16,712,000,000 gallons, or 397,905,000 barrels), the extent to which a tariff on gasoline will increase the price to the domestic consumer is perhaps debatable. But with respect to the proposed tariff on crude and fuel oil there can be no doubt that it must either operate to raise the price of crude and fuel oil in the United States or else be of no benefit whatever to the oil industry. The conclusion is inescapable that the imposition of this oil tariff will mean a levy of many millions of dollars annually upon the industries and individuals who are users of fuel oil without any accruing revenue to the Treasury. If this duty becomes effective, the consumers will pay $73,212,000 annually in increased prices for fuel oil.

COAL

The proposed duty on coal and coke as carried in the present bill, in our judgment, is utterly preposterous. According to Department of Commerce figures we exported 13,088,259 tons of coal and coke in 1931 and imported only 836,769 tons, a ratio of 16 to 1 in favor of our exports. The total production of coal and coke in the United States in 1931 was 459,716,104 tons, so that our imports of 836,769 tons represent less than one-fifth of 1 per cent of our total coal and coke production. It is to eliminate this almost infinitesimal amount of imported coal, which does not undersell domestic coal but in fact commands a higher price than the domestic product, that this tariff duty of 10 cents per 100 pounds, $2 per short ton, is in the bill. It will raise no revenue whatever. By the exclusion of the imported coal it will enlarge the potential domestic market by one-fifth of 1 per cent. The proponents of this tariff have but one objective. They hope to displace 600,000 tons of imported anthracite coal now sold in New England with an equal amount of Pennsylvania anthracite.

COPPER

There is no gainsaying the present distress of the American copper industry in the United States. Copper is now selling in New York at around 6 cents per pound. This compares with an average price for the past 30 years (excluding the war years) of 14.8 cents. American copper mines are said to have a potential capacity of 1,318,000 short tons per annum. In 1931 the United States market absorbed roundly 454,500 tons of primary copper and present consumption is lower still, perhaps not in excess of 25 per cent of our producing capacity. Present stocks of copper above ground are said to represent one year's supply for the entire world at present rate of consumption, and the United States alone owns 71 per cent of this stock. Foreign production of copper far outruns foreign consumption. The surplus of foreign copper is displacing domestic copper in our domestic market. What is true of many other commodities applies to copper. The world is suffering from a huge surplus of copper.

The question at issue is whether the erection of a tariff wall against foreign copper will in the long run benefit the country. On that question testimony of opposing copper groups before the Finance Committee was in sharp disagreement.

The proponents of a copper tariff sought a rate of 5 cents per pound, and said that they anticipated its effect would be to stabilize the price of American copper in the American market at around 11 cents per pound.

The bill as reported carries a copper tariff at the rate of 4 cents per pound. The contention that despite such a duty foreign copper will still be dumped in this market and pay a duty, and hence the Government will derive a tariff revenue from the copper duty is in our judgment unconvincing. We incline to the view that the proposed duty would exclude foreign copper, and hence be of no consequence so far as revenue is concerned. On the question of the benefit of the proposed duty to the American copper industry and to the country we are inclined to subscribe to the views presented by those representatives of the industry who oppose the duty and who contend that it will do more harm than good. In any event we submit that the present revenue bill is not the time and place for Congress to deal with the complicated and world-embracing issues which are raised by the question of removing copper from the free list, where it has remained since 1894, and granting compensatory duties to the large number of manufactured products that contain copper.

LUMBER

The petitions for a tariff duty on lumber come from the lumber operators of Oregon and Washington.

No new argument has been advanced for increasing the protective tariff duty on lumber that was not considered by the Congress prior to the passage of the Smoot-Hawley Tariff Act of June 17, 1930. Evidence of course was presented of the present depressed state of the lumber industry. The financial difficulties of operators, unemployment, want, and suffering were stressed. No conditions surrounding this industry were presented that are not applicable at the present time to practically every other industry in the United States. Furthermore, the conditions described in the lumber industry and in the communities where lumber operations are carried on are similar to conditions existing in the lumber communities of Canada. It is even claimed that there has been a higher percentage of failures in this industry in Canada than in this country.

One-half of the lumber (lumber planed or dressed on more than one side) included within this proposal is now subject to a protective duty of $1 per thousand feet. The United States Tariff Commission was importuned, under the flexible provisions of the tariff law, to increase this duty. As late as November 9, 1931, the Tariff Commission reported that a change in the duty of $1 per thousand feet was not warranted. On December 2, 1931, the President approved of this finding.

Advocates of this tariff therefore propose to override the findings of the Tariff Commission and the President, after an exhaustive study into the difference in the cost of production, including transportation, of Canadian lumber with the like American product. Yet the Finance Committee incorporated the rate of $3 per thousand feet in addition to the present rate of $1 per thousand feet already found to be adequate by the Tariff Commission and the President.

Rough lumber, now on the free list, is to be given a duty of $3 per 1,000 feet. If the Tariff Commission found no justification for increasing the tariff duty on dressed lumber above the present rate of $1, there can be no sound argument in favor of rough lumber being given a duty of $3 per 1,000 feet, especially when it is admitted that there is an element of labor that enters into the cost of dressed lumber as compared with rough lumber. The Tariff Commission found that the difference in total cost of producing rough lumber in Canada and America was 11 cents per 1,000 feet.

The result of an indiscriminate imposition of a tariff tax of $3 per 1,000 feet board measure on many dissimilar items of lumber will cause endless confusion and inequalities to various industries and consumers. This duty, in the absence of a definition of the classes of lumber included, would embrace inexpensive and expensive classes of lumber, for it includes all hardwoods, such as mahogany, lignum vitæ, maple, and birch; also, all softwoods used in the building of homes and in the manufacture of boxes, crates, containers, cigar boxes, and the like.

The industries affected that might properly claim compensatory duties if the increased duty stands are manufacturers of agricultural implements, hardware, fixtures, caskets, refrigerators, trunks, picture frames, tobacco boxes, toys, pencils, and penholders, brushes, artificial limbs, airplanes, pattern making, etc.

The fact that no distinction is made in the duty on lumber on the type used by the farmer and the home builder and lumber used on more extensive construction and industrial projects would result in this duty being equivalent to 33⅓ per cent ad valorem on cheap lumber costing $12 per thousand, and a duty of less than 1 per cent ad valorem on expensive lumber selling at $250 and more per thousand feet (for instance, as used in airplanes and for mahogany paneling in high-priced office buildings and residences).

The burden of the proposed tax would fall upon the consumers of every article of lumber used in the United States. The domestic producers who seek this duty for the purpose of increasing their prices will expect to get the benefit of the duty to the fullest extent possible under the law. Eliminating the effect of pyramiding, the rate of $3 per thousand feet increase of the present duty, based upon an average consumption of about 35,000,000,000 feet, will result in a total cost to consumers in the United States of about $105,000,000 annually.

From the standpoint of producing revenue the rate is destructive, for it will result in being an absolute embargo. An embargo will be detrimental to the producers as well as to the domestic consumers. Naturally the lumber producers in Canada who will be forced out of the American market will send their lumber elsewhere, causing competition with American exporters of lumber exported to Cuba, South America, China, Japan, and other markets.

The exports of lumber have an annual average of 100 per cent in excess of imports. What the advocates of this duty are seeking is the impossible. They would prevent all countries from selling us goods and, at the same time, expect them to buy from us.

The admission of foreign lumber produced through indentured or forced labor is prevented by existing law. If this law is being improperly enforced, the responsibility is with the executive department. If the law is not effective in preventing the very limited amount of lumber imported from countries suspected of using this class of labor (less than 14,000,000 feet), we favor the enactment of more drastic provisions to control such imports.

CONCLUSIONS

The logrolling methods which have resulted in the incorporation of these particular tariff items, for these items yield no income to the Government worth considering, would be indefensible even if the committee were considering a general revision of the tariff; but to resort to the trades, exchange of votes, and on-again off-again performances that characterize the incorporation of these items in an emergency revenue measure is an exhibition that will raise serious questions in the public mind concerning the capacity of representative government to function promptly and without self-interest in a great emergency. Perhaps the least said about

the performance the better. We doubt if even the "victors" are particularly proud of their handiwork.

In brief, these tariff items are riders to a bill whose sole purpose should be to balance the Budget and would not be seriously considered by the Congress if proposed in a bill of their own because there are no cogent arguments for their imposition. We urge that these "logrolled" tariffs in a bill seeking to balance the Budget deficiency be rejected by the Senate, as they have already been repudiated and condemned by the public sentiment of the country, regardless of party or personal views concerning the protective principle.

PAT HARRISON.
WALTER F. GEORGE.
DAVID I. WALSH.
EDWARD P. COSTIGAN.
CORDELL HULL.

In the absence of an opportunity to read and check all of the foregoing minority views, I concur in the dissent of the minority for the reasons well stated in the opening paragraph.

EDWARD P. COSTIGAN.

Mr. COUZENS. Mr. President, the Senator said he thought the committee had done a pretty good job, but I want to draw the Senator's attention to the fact that this bill is not the committee's bill. This is Mr. Mills's bill. I desire to read a telegram I received to-day from Detroit. It is as follows:

Is Congress or Secretary Mills enacting the revenue legislation? A statement published here attributed to Mills says that latter told representatives of automobile industry, even before the bill reached floor of Senate, that there was no hope of escaping the special tax levies, and that the industry might as well resign itself to carry the additional burden. Since when has Congress become a rubber stamp for Mills? Why are Mills and his predecessors so antagonistic toward the industry that led the way to prosperity in 1921, and is making an epic fight vastly greater than any other industry to repeat? What is the real motive behind this unfair, vicious, discriminatory, punitive taxation being forced upon a bewildered Congress by a high officer of a Republican administration against America's most courageous industrialists and the chief industry of the most Republican State, namely, Michigan?

I want to say to the Senator that the antagonism of the Secretary of the Treasury and his predecessor is due to the fact that it is the only major industry in the United States that they have not been able to control. The great financiers of New York and Wall Street—and as I refer to Wall Street I am looking right into the face of my friend, the senior Senator from New York [Mr. COPELAND]—know it is the only major industry that they have not been able to control. They have controlled the railroad business. We know the history of the railroad business. We know what the history of the automobile business would have been had the great New York financiers been able to control and do with it what they have done with the railroads and other great business enterprises.

I wanted to make that statement now because the Senator from Utah referred to the bill as a "committee bill" while as a matter of fact it is Mr. Mills's bill.

Mr. SMOOT. Mr. President, I wish to invite the attention of the Senate to the fact that there is not a single solitary tax imposed in the bill against which there has not been vehement protest—not a single tax of any kind. As to some of them, I have received thousands of telegrams and more than thousands of letters. If we had paid any attention to them, we would not have a tax on a single item.

Mr. COUZENS. Will the Senator produce the evidence of protests that he has received against an increase in corporation taxes? Will the Senator produce the evidence of protests that he has received against the 1918 income-tax rate? I submit the Senator has not had any voluminous protests against those equitable taxes.

Mr. SMOOT. Whether the Senator insists or not——

Mr. COUZENS. I merely ask the Senator to produce the evidence.

Mr. SMOOT. There is not a tax in the bill against which there has not been a protest.

Mr. VANDENBERG. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to his colleague?

Mr. COUZENS. Certainly.

Mr. VANDENBERG. Before the Senator takes his seat he may be interested in being reminded that when Mr. Mills testified on October 31, 1927, respecting automobile taxes, he urged as one of the principal reasons for taxing automobiles that the railroads needed the assistance through that indirect method.

Mr. COUZENS. The Senator knows the New York financial interests, and Mr. Mills and his predecessors, controlled and operated and dominated the railroads, and of course they are antagonistic to every industry which in any way affects their welfare. That is the reason why for years and years the Treasury Department, no matter by whom officered, has been antagonistic to the motor industry.

Mr. TYDINGS. Mr. President, just at the time this new burden of $1,000,000,000 in taxes is about to be placed upon the American people, whose tax backs are already very badly bent if not broken, I rise once more to ask if at the next convention of the Republican Party a referendum plank on the liquor question is to be adopted, because I want to point out in all seriousness that if we can deal with a tax upon beer at this time, one-half of this $1,000,000,000 burden can be eliminated.

Further than that, to take issue with the Senator from Utah [Mr. SMOOT], it is the only tax against which the American people will not protest. I stand here individually protesting against taxing the people of my State and the other States of the Union $600,000,000 when racketeers and bootleggers are waxing rich and contributing nothing whatsoever to the Government while honest industry is penalized.

What we are doing in this bill is taxing honest work and putting crime on the free list. With 10,000,000 men walking the streets begging for jobs, with our community funds breaking down, with business frightened almost to death, I say it is an outrage that this huge burden of $1,000,000,000 a year is to be put on the people at this time. When men are afraid of what the next month will bring forth, we sit here and do not tax the one thing that will make half of this burden unnecessary.

I ask now who is right—Secretary of War Hurley and Assistant Secretary of the Navy Jahncke, who have gone about the country saying the President will favor some modification at the Chicago convention, on the one hand, or the senior Senator from Ohio [Mr. FESS], the chairman of the Republican National Committee, on the other hand, who says the President will not do that? Can anyone answer? In a period of emergency, in a period of fright, in a period of unemployment, in a period when we are threatened with $1,000,000,000 of new taxes, no one in the Republic can tell where the leader of the country stands on an issue upon which every person in the country has some sort of an opinion.

We are told that after we adjourn and after we sandbag every honest business in the country with this huge burden of taxation, after we have left here and it is too late for Congress to act, the President is going to take a position upon the liquor question. I would not object at all to his saying that he believes more prohibition would be a good thing for the country or that he thinks it has had a trial and has been a failure; but I submit that he ought to have some opinion on it in the face of a $1,000,000,000 tax bill about which the people are already very much frightened.

There would not be any need for these automobile taxes, there would not be any need for these admission taxes, there would not be any need for most of these excise taxes if we would tax the thing which Al Capone taxed, but which we can not tax; but we go into the back door of Mr. Capone's home and take his ill-gotten gains, after we have had a trial in a court of law, and are ready to share in his illegal profits by taking it in the form of an income tax.

Tell me about leadership and courage and tell the people of the Nation that Congress refuses to function and act! Let us cast our eyes down Pennsylvania Avenue and ask the man who has received the confidence of the people of the country by an overwhelming majority to say whether he favors, for example, the proposition offered by the Senator from Connecticut [Mr. BINGHAM], whereby honest in-

dustry can be saved $500,000,000 of new taxes, and whether we can use that sum to finance the construction program and use it to pay the interest and the sinking fund on the bonds and put to work the 10,000,000 honest people who are now out of work and asking for jobs and a chance to regain their self-respect and provide for themselves and their families.

There is where we need leadership, but no one in the Republic knows where the leader stands. We go into battle. The field of battle is here. The issue is $1,000,000,000 of new taxes, and our leader will not tell us whether we should make a frontal attack on the bill, a flank attack, or an attack from the rear. If from the White House there should come down here a message that the President recommends at least raising the limit of one-half of 1 per cent to the point where it would not interfere with either the philosophy or the letter or the spirit of the eighteenth amendment, namely, to 2.75 per cent of alcoholic content by volume, we could adopt that suggestion and we could put it in this bill. We could tax that product and thus we would make unnecessary a lot of the taxes now proposed in the bill. But do we get any suggestion of that kind?

Mr. BORAH. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Maryland yield to the Senator from Idaho?

Mr. TYDINGS. I yield.

Mr. BORAH. Let us go ahead and have a program of our own.

Mr. TYDINGS. I am ready to go ahead and have my program, and I want to get it adopted. If I can get the support of the leaders of the country, I can get it adopted and save the honest people of the country from having to pay $500,000,000 in taxes.

Mr. COUZENS. Mr. President, has the Senator conferred with Mr. Mills, Secretary of the Treasury?

Mr. TYDINGS. No; I am not on such high financial grounds in these times.

Mr. COUZENS. I suggest to the Senator that he confer with him, because I think probably he could get his program O. K'd there. [Laughter.]

Mr. TYDINGS. Mr. President, I will say in answer to the Senator from Michigan that I do not know how true it is, but by way of the "grapevine" I have learned that the Secretary of the Treasury, Mr. Mills, has been urging upon the President for some time, in this period of dire national emergency, the great need of a change in our prohibition law, to which the President has turned a deaf ear. Even the President's silence would be understandable, may I say to the Senator from Michigan, were it not for the fact that others in his official family, members of the Cabinet, are going about the country and—to audiences, of course, favorable to a change in the prohibition law and in order to curry presidential favor—are saying that the President is going to favor a referendum in the Republican convention after Congress shall have adjourned; and then, on the other hand, another man in the official family, the senior Senator from Ohio [Mr. FESS], says, "No; that is not true." So we have the wets thinking the President is all right and the drys thinking the President is all right, while a billion dollars of new taxes are about to fall on the backs of the already overburdened taxpayers of the Nation.

Mr. COUZENS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Maryland yield to the Senator from Michigan?

Mr. TYDINGS. Certainly.

Mr. COUZENS. Has the Senator from Maryland got the Democratic leader with him on that matter?

Mr. TYDINGS. I have enough to do if I can get the one man to utter a statement which will permit the adoption of this program.

Mr. COUZENS. But the senior Senator from Arkansas [Mr. ROBINSON] suggested a program for the relief of unemployment the other day which carried great weight and great strength until it got somewhat emasculated at the White House. I merely wondered if the Senator's program for a beer proposal would get as far as the program for relief of unemployment?

Mr. TYDINGS. I can answer that question very satisfactorily by telling the Senator from Michigan that the Senator from Arkansas and all the other Members of the Senate will have an opportunity to vote on that program so that their position will be discovered in the next two or three weeks. What I am afraid I will be unable to do, because this is presidential-election year, is to avoid the apparent feeling that we would rather charge the American people $500,000,000 in new taxes that a word from the right kind of leadership would make unnecessary.

Mr. LONG. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Maryland yield to the Senator from Louisiana?

Mr. TYDINGS. I yield.

Mr. LONG. I want to ask the Senator whether or not it might not be in the President's mind that the people of the United States would protest against giving up 8 to 12 per cent beer, on which they are paying no tax, and going back to 2.75 per cent beer and paying a tax? [Laughter.]

Mr. TYDINGS. There may be something to that, but my "spies" bring me word that the actual cost of a bottle of beer in the average place to-day runs from 20 to 25 cents, and even with a tax of 3 cents a pint we all know that better beer and more of it could be had for at least half that sum; so that the President's economy is not considering the plight of the beer drinker.

Mr. TRAMMELL. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Maryland yield to the Senator from Florida?

Mr. TYDINGS. I yield.

Mr. TRAMMELL. The Senator is an expert on this subject, but I want to ask if he thinks those who like their beer so well would be satisfied with 2.75 to 4 per cent beer?

Mr. TYDINGS. My answer to the Senator from Florida is to try it and he will be surprised. [Laughter on the floor and in the galleries.]

The PRESIDENT pro tempore. The Chair must admonish occupants of the galleries that it is contrary to the rules of the Senate to have any manifestations of approval or disapproval take place in the galleries.

Mr. TYDINGS. Mr. President, I do not wish to delay this debate, and I will just make a concluding remark.

Mr. LEWIS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Maryland yield to the Senator from Illinois?

Mr. TYDINGS. I yield.

Mr. LEWIS. It was no purpose of mine to break into the very wise and properly placed discourse of my eminent friend from Maryland, but it was to address myself to the Senator from Michigan who had asked the question as to whether or not Mr. Mills had approved or whether he had actually written it. I should like to remind the eminent Senator from Michigan that it is an age-old axiom that "the mills of God grind slowly but they grind exceeding fine."

Mr. TYDINGS. Mr. President, I want to make a concluding observation. We are facing next fall and winter with a very dismal picture ahead. Despite the situation, with 10,000,000 unemployed, with 700,000 farms sold within the last two years on mortgage foreclosures, and for delinquent taxes, with about 5,000 bank failures during the last 18 months, we are about to impose upon the honest people of this country a tax of $500,000,000 more than they would have to pay were we to legalize, without interference with the Constitution, the sale of 2.75 per cent beer, and yet, in the face of that emergency, the President, the leader of the people of the United States, sits silent. While two members of his Cabinet go out and say he is going to oppose any modification of the prohibition law and a member of his semiofficial cabinet says he is not going to do it, he is content to reap what have the appearance, if they are not in fact, the fruits of political expediency rather than conviction.

Mr. THOMAS of Oklahoma. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Maryland yield to the Senator from Oklahoma?

Mr. TYDINGS. I yield.

Mr. THOMAS of Oklahoma. Is it not a fact that we have at this time a system for the distribution and sale of whisky legally?

Mr. TYDINGS. I think so.

Mr. THOMAS of Oklahoma. Does the Senator know how much whisky is dispensed legally annually at this time?

Mr. TYDINGS. I have not the exact figures; but, as the Senator says, under the Volstead Act, it is possible to get whisky for medicinal purposes, and sometimes when a patient is not very sick.

Mr. THOMAS of Oklahoma. Is it not a fact that during the past year or 18 months some nine or ten distilleries were opened by the Government, and during this time that something like 2,000,000 gallons of whisky were made by such distilleries?

Mr. TYDINGS. That is true.

Mr. SMOOT. Mr. President, I want to say to the Senator that the reason of that is——

Mr. TYDINGS. I yield to the Senator for a question, but I do not want to lose the floor.

The PRESIDING OFFICER (Mr. VANDENBERG in the chair). The Senator from Maryland has the floor.

Mr. SMOOT. The Senator from Maryland will not lose the floor. I want to state to the Senator that the warehouses are filled at certain times, and then no more whisky is put in them until the supply on hand is exhausted. I do not know the quantity of liquor that is in the warehouses, controlled, of course, by the Government; but, as I have said, as soon as the supply on hand is exhausted, or nearly so, then it is replenished. Such whisky is supposed to be for medicinal purposes.

Mr. THOMAS of Oklahoma. Mr. President, I do not desire to take the Senator from Maryland from the floor; but, in connection with his remarks, if he will permit me, I desire to ask one or two further questions.

Mr. TYDINGS. I will be glad to yield to the Senator.

Mr. THOMAS of Oklahoma. I am advised that we are now selling about 2,000,000 gallons of whisky a year.

Mr. TYDINGS. I think, speaking from memory, that figure is accurate.

Mr. THOMAS of Oklahoma. Two million gallons, at the rate of 8 pints per gallon, make 16,000,000 pints of whisky now being dispensed legally.

Mr. TYDINGS. That is right.

Mr. THOMAS of Oklahoma. And those pints sell, as I understand, for approximately $3 a pint?

Mr. TYDINGS. That is right.

Mr. THOMAS of Oklahoma. That does not include the prescription.

Mr. TYDINGS. No; the prescription usually costs $1 or $2 extra, as I understand.

Mr. THOMAS of Oklahoma. On the sale of the 16,000,000 pints of whisky would the Senator favor a tax of, say, 10 per cent on each pint?

Mr. TYDINGS. I would be glad to do so, with this qualification: If it would be possible to differentiate between purely medicinal liquor, which is obtained by a man who is really ill, and the whisky which goes to a man who is getting it under the guise of illness simply to drink for his pleasure, I would be glad to impose a very heavy tax on it. I will say, however, frankly to the Senator that I would hesitate to do that, feeling that in many deserving cases I would penalize what was really medicine. I would not want to add to the costs incurred by people who are ill and who are using the liquor for purely medicinal purposes and in a perfectly honest and reasonable way.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield further?

Mr. TYDINGS. Yes; I yield.

Mr. THOMAS of Oklahoma. A 10 per cent tax on a pint of whisky that sells for $3 would be 30 cents; and if 16,000,000 pints were sold, a 10 per cent tax on that whisky, if such a tax were incorporated in this bill by amendment, would bring into the Treasury approximately $5,000,000. Would the Senator favor the consideration of that sort of an amendment?

Mr. TYDINGS. I would look on it with favor; but I would say that if we should go into the business of taxing whisky, it seems to me our position would be even more ludicrous than it is now if we did not tax 2.75 beer. I do not think we could very well go into the field of medicinal liquor and tax that product and then let beer altogether escape and allow Mr. Capone and his satellites to make vast sums of money out of the sale of beer.

The point I rose to emphasize was this: I am not here at this moment to talk about the merits or demerits of any wet or dry measure, but I am wondering how the leader in the White House can fail to take a definite stand when half his official family picture him as in favor of one side of the question and the remainder picture him as being on the opposite side, and that situation arises on the eve of the convention where his position will have to be disclosed; and when, if that position were favorable to that for which I contend, we would make half of these proposed taxes unnecessary. I say that, in my humble judgment, with all due respect, the President of the United States owes it to the country now, and not in the Republican convention, to say where he stands on the matter of prohibition.

Mr. SMOOT. Mr. President, I should like to call the attention of the Senator from Maryland and also the attention of the Senator from Oklahoma to the fact that all the liquor that goes into the bonded warehouses pays a tax. We collect over $10,000,000 a year on the liquor that goes into the bonded warehouses and is withdrawn.

Mr. TYDINGS. I did not understand the Senator's statement.

Mr. SMOOT. I say that the Government collects over $10,000,000 a year on the liquor that goes into bonded warehouses. When it is withdrawn, it pays taxes to that amount.

Mr. TYDINGS. The Senator from Utah has brought out a very significant point, namely, that we are actually taxing medicine; that is what we are doing; we are taxing the medicine of the country $10,000,000 a year; but we are not taxing beer a single cent, though whisky used for medicinal purposes is yielding the Government $10,000,000 a year.

Mr. BORAH. Mr. President——

The VICE PRESIDENT. Does the Senator from Maryland yield to the Senator from Idaho?

Mr. TYDINGS. I yield.

Mr. BORAH. I should like to inquire of the Senator if beer is a medicine or a food?

Mr. TYDINGS. I believe it is both. [Laughter.]

Mr. SHORTRIDGE. Mr. President——

The VICE PRESIDENT. Does the Senator from Maryland yield to the Senator from California?

Mr. TYDINGS. I yield.

Mr. SHORTRIDGE. I assume the Senator thinks that to impose a tax on 2.75 per cent beer would be within the spirit of and not violative of the eighteenth amendment?

Mr. TYDINGS. I am glad the Senator asked me that question, and, categorically, I will say yes. I will make this brief explanation: Suppose, may I say to the Senator from California, that it were proposed by some bill now in Congress to raise the alcoholic content from one-half of 1 per cent to five-eighths of 1 per cent—a mere one-eighth of 1 per cent of alcohol by volume. No one would get frightened at that; everybody would still contend that that amount of alcohol was not intoxicating, because there would be 199 parts of water for every part of alcohol.

If it could be raised, one-eighth per cent, there must be some point above one-half of 1 per cent where there would be reached the line above which the product would be actually intoxicating and below which it would be nonintoxicating. The amendment which I offered here, and which we will vote upon I hope in the near future in connection with the construction program, which it is proposed to finance by a tax on beer, sought to put the amount at such a point that every honest and sincere "dry," and moreover

every honest and sincere lover of and believer in the Constitution could vote for it without going back on his principles or on his Government.

Mr. SHORTRIDGE. Mr. President——

The VICE PRESIDENT. Does the Senator from Maryland yield further to the Senator from California?

Mr. TYDINGS. Yes; I yield.

Mr. SHORTRIDGE. Manifestly we have all taken an oath to support the Constitution of the United States, and the question which we must decide is whether voting for an increased percentage, would or would not be violative of that Constitution. I understand the Senator's position to be, as a thoughtful lawyer, that to legalize and to tax beer, for example, of 2.75 per cent alcoholic content would not be in violation of the Constitution of the United States?

Mr. TYDINGS. That is my belief.

Mr. SHORTRIDGE. For, of course, so long as the eighteenth amendment remains as a part of the Constitution it must be recognized, respected, and upheld. That is the position of the Senator, as I understand it?

Mr. TYDINGS. Substantially; but I would not want to say that I myself believe that a slightly higher percentage than that would not be legal. I have, however, tried to fix the alcoholic content at the highest point where I felt a reasonable and honest Senator, mindful of the Constitution, would want to go, although there may be others who feel that the limit is above or, conversely, below that point.

Mr. SHORTRIDGE. Bearing in mind the language of the amendment which prohibits the manufacture, sale, transportation, and so forth of——

Mr. TYDINGS. Intoxicating liquors.

Mr. SHORTRIDGE. Of intoxicating liquors for beverage purposes—bearing that in mind, of course, we can not, under our oaths, violate that provision.

Mr. TYDINGS. If I may inject right there, let me say to the Senator that this point has never been brought to the attention of the Supreme Court; at least it has never been passed on. The eighteenth amendment provides that the manufacture, sale, transportation, importation, and exportation of intoxicating liquors for beverage purposes shall be prohibited. It uses specifically the word "liquor"; it does not say "beer, wine, and liquor." If the Senator will read, as he possibly has, and as I have had occasion to read lately, some of the cases which have gone to our inferior Federal courts and to our Supreme Court, he will know that we imposed in the old days three kinds of taxes: A tax on beer, a tax on wine, and a tax on liquor. So Congress over and over again considered that wine and beer were not under the head of liquor, and the courts in determining the amount of taxation to be levied have made the same distinction.

There are many people—and I am one of them—who, aside from the merits or demerits of the so-called "wet" and "dry" question, as a legal proposition believe that the word "liquor" never included wine or beer. I should like to see that question tested. If the constitutional amendment had said "all alcoholic drinks for beverage purposes, which are intoxicating," then, of course, we would have included the whole gamut of alcoholic drinks, but the constitutional amendment merely says "liquor." So, in my judgment, we could legalize 4 per cent beer or 5 per cent beer without violating the letter, at least, of the eighteenth amendment and, I believe, without violating its spirit.

Mr. SHORTRIDGE. Assuming, however, that under the term "liquor," beer and wines are included, is it or is it not the opinion of the Senator that the constitutional power to fix the limit rests with Congress?

Mr. TYDINGS. Yes.

Mr. SHORTRIDGE. And that if Congress should exercise its power to fix a percentage, the courts would respect and uphold the action of Congress?

Mr. TYDINGS. Certainly; if, by any reasonable conception of the amount fixed, Congress had not abused what obviously is a discretionary power.

Mr. SHORTRIDGE. It unquestionably has the discretionary power to fix the percentage.

Mr. TYDINGS. I think it has; and I believe the Supreme Court would go far out of its way to agree that any mandate of the Congress so passed did not conflict with the eighteenth amendment unless upon its very face it were so unreasonable that it could not be otherwise construed.

Mr. SHORTRIDGE. Finally, does the Senator think that the people should have the right, as a constitutional right, to repeal or modify or amend the eighteenth amendment?

Mr. TYDINGS. Should they have the right?

Mr. SHORTRIDGE. Yes.

Mr. TYDINGS. Oh, yes.

Mr. SHORTRIDGE. To be pursued, I take it, under the provisions prescribed and provided in Article V of the Constitution?

Mr. TYDINGS. Yes, sir; I agree with that.

The VICE PRESIDENT. The question is on the first amendment of the committee, on page 8, line 2.

Mr. McNARY. Mr. President, has the Senator from Utah asked unanimous consent to consider committee amendments first?

Mr. SMOOT. I have.

Mr. McNARY. When was that consent given?

The VICE PRESIDENT. The Chair is advised that that is not contained in the words of the request.

Mr. SMOOT. That was intended to be my request in the beginning, Mr. President.

Mr. McNARY. Mr. President, I shall not oppose the request; but I do not think it was asked, or an order for it made. If it is now about to be asked, I shall suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Austin	Couzens	Keyes	Shipstead
Bailey	Dale	King	Shortridge
Bankhead	Dill	La Follette	Smith
Barbour	Fletcher	Lewis	Smoot
Barkley	Frazier	Logan	Steiwer
Bingham	Glass	Long	Stephens
Blaine	Glenn	McGill	Townsend
Bulkley	Hale	McKellar	Trammell
Bulow	Harrison	McNary	Tydings
Byrnes	Hatfield	Metcalf	Vandenberg
Capper	Hayden	Norris	Wagner
Caraway	Howell	Oddie	Walsh, Mass.
Carey	Hull	Patterson	Walsh, Mont.
Connally	Johnson	Reed	Watson
Coolidge	Jones	Robinson, Ark.	Wheeler
Copeland	Kean	Robinson, Ind.	
Costigan	Kendrick	Sheppard	

The VICE PRESIDENT. Sixty-six Senators have answered to their names. A quorum is present. The bill will be read for amendment.

Mr. HARRISON. Mr. President, has unanimous consent been granted yet to take up committee amendments first?

Mr. SMOOT. No, Mr. President. Unanimous consent was given to proceed with the consideration of the bill and to dispense with its formal reading.

Mr. HARRISON. I desire to make this observation before we proceed:

The tariff questions involved in this bill are perhaps going to precipitate quite a long discussion. I hope not; but can we not get unanimous consent that the tariff questions shall be the last items considered in this bill, so that we may get through with the constructive features of the tax bill before we get on to the tariff questions? I am sure it would expedite matters. It might obviate our getting into some coalitions, and it seems to me it might work to the general welfare of all.

I therefore ask unanimous consent that in the consideration of this bill the tariff items be considered as the last items in the bill.

The VICE PRESIDENT. Is there objection?

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. HARRISON. I yield.

Mr. CONNALLY. I do not think the Senator should propound that request at this particular time without consulting a number of Senators who are concerned in what the Senator calls tariff items.

This is a tax bill; and the presumption is that the Finance Committee has put items in the bill to raise taxes. Therefore, I ask the Senator to withhold his request until such time as other Senators who are interested may be consulted.

Mr. HARRISON. Of course I will withhold it; and I shall not insist on it if it does not meet the wishes of the Senate. There are at least four items in the bill that are considered tariff items, aside from the question of raising revenue; and it seems to me those four items ought to be taken up last. If, however, there is any objection, of course I shall not insist on it.

Mr. JOHNSON. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Mississippi yield to the Senator from California?

Mr. HARRISON. I yield to the Senator.

Mr. JOHNSON. While the Senator is considering that particular matter, would he consider taking what he terms the four tariff items first in order, rather than last?

Mr. HARRISON. I think it would be better for them to come up last. That is my idea about it; but, of course, those who favor the tariff items may think they ought to come up first. I shall not insist on my request, but I am sure what I have proposed would expedite the consideration of the bill.

Mr. GLASS. Mr. President, I should like them to come up last.

Mr. SMOOT. Mr. President, I think we had better proceed with the bill.

Mr. LA FOLLETTE. Mr. President, under ordinary procedure with legislation in the Senate it is customary to read a bill for action on the committee amendments first. In connection with the tariff bill, however, we had an understanding that as each title came up we would determine whether we would proceed with the committee amendments first or whether the House text, even though not amended by the committee, might be the subject of amendment.

In connection with the consideration of this legislation, in my judgment, it is quite important that we should have unanimous consent that in so far as Title I, Title II, and Title III are concerned, while those titles are under consideration it shall be in order for any Senator to offer an amendment not only to the committee amendments but also to unamended portions of the House text.

I will explain briefly why I think that is important.

Take the income-tax schedule, for instance. The committee has not amended the House text. It has merely added certain brackets in the higher incomes. If we followed the usual procedure, any Senator desiring to offer a different schedule could only offer an amendment to a committee amendment. He could not offer an amendment to amend the House text unamended by the committee. Obviously, orderly procedure would indicate that all of the income-tax brackets should be open to amendment at the same time.

For instance, in the committee the senior Senator from Michigan [Mr. COUZENS] offered the 1918 income-tax rates. That changes the rates in all the brackets, not just those affected by the committee amendments. I have discussed the matter with the Senator from Utah, and I am sure he is agreeable to the suggestion. Therefore, Mr. President, I ask unanimous consent that in so far as Title I, which is the income tax; Title II, the additional estate tax; and Title III, the gift tax, are concerned, it shall be in order to offer amendments not only to committee amendments but to unamended portions of the House text.

The VICE PRESIDENT. Is there objection?

Mr. VANDENBERG. Mr. President——

Mr. LA FOLLETTE. I yield to the Senator from Michigan.

Mr. VANDENBERG. May I inquire why the Senator stops short of Title IV, in which the automobile tax certainly should be considered as a whole in the same way?

Mr. SMOOT. All the other titles would be in exactly the same situation.

Mr. VANDENBERG. Why should three titles be picked out? Why not proceed under a general rule such as the Senator describes?

Mr. REED. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield to the Senator from Pennsylvania.

Mr. REED. I think there is force in what is said by the Senator from Wisconsin with regard to the rates, and it seems to me that it is only fair that the agreement should apply to all other rates stated in the bill. But we should not make the agreement in the broad language suggested by the Senator, because I understand that his thought is directed only on the schedules of rates, and if we should make the agreement in the broad language there would be no good in reading the bill for committee amendments at all, because all of the plain text of the bill would come within the scope of the Senator's suggestion. I suggest, therefore, that the Senator change his request to make it apply to all schedules of rates in the bill.

Mr. LA FOLLETTE. Mr. President, the only difficulty with that is this, if I may say so to the Senator from Pennsylvania. The Senator from Michigan wishes to offer the 1918 section of the law, so far as all the rates, exemptions, and other provisions are concerned. It seems to me that it should be in order, under our procedure here, for him to amend such sections of the House text, unamended by the committee, as may be necessary, in order to have a vote in the Senate in the alternative between the 1918 rates and the rates recommended by the committee.

Mr. SMOOT. Mr. President, that could be done by the Senator offering the full provisions referred to by him as a substitute for the committee amendments.

Mr. LA FOLLETTE. No; under ordinary procedure that could not be done.

Mr. SMOOT. That is what I thought the Senator was going to ask unanimous consent to do.

Mr. LA FOLLETTE. I thought I had asked unanimous consent.

Mr. SMOOT. I thought so.

Mr. REED. I think the Senator has covered a little more territory than he meant to. Surely he does not mean that any one of us should be able to rise out of the regular order and move an amendment to the administrative sections, for example. I do not think the Senator wants that. That is not the orderly way to consider the bill.

I would suggest, if I may have a moment more, that the best way to get at this is for the Senator from Utah to withhold his request for unanimous consent until after we have considered the income-tax schedules.

Mr. SMOOT. To what consent request has the Senator reference?

Mr. REED. I thought the Senator had asked unanimous consent that the committee amendments be taken up first.

Mr. SMOOT. No; I have not asked that.

Mr. REED. I beg pardon; I was erroneously informed that the Senator had done so.

The next thing to do, then, is to go ahead, and the income-tax schedules come first. The Senator from Michigan can offer his amendment, and when that is offered, then perhaps we can get unanimous consent to consider committee amendments first.

Mr. LA FOLLETTE. That would be satisfactory to me. Of course, the Senator from Texas also has a schedule, the 1922 rates, which he desires to offer.

Mr. SMOOT. They can be offered at the same time.

Mr. LA FOLLETTE. It will apply to all amendments to the particular section. Therefore I withdraw my request.

Mr. CONNALLY. Mr. President, I submit an amendment and ask that it be printed.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

Mr. LONG. Mr. President, a parliamentary inquiry. I offered a schedule, and I think it must be similar to that offered by the Senator from Michigan. I previously offered it here in the Senate, and it was referred to the Committee on Finance. There is no necessity of my reoffering this amendment, as the Senator from Michigan has offered one in similar terms which covers practically the same thing.

But I do not want the consideration to proceed to such a point that I can not offer such an amendment in case it should not be offered by the Senator from Michigan.

The VICE PRESIDENT. The Chair will state that an amendment presented and referred to a committee can not be considered in the Senate unless it is offered in the Senate and ordered to lie on the table, and it can be called from the table when the appropriate provision in the bill is reached.

Mr. COUZENS. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. COUZENS. I offered an amendment on April 26, and had it referred to the Committee on Finance. It was voted on in the Committee on Finance and voted down. It was again offered this morning and is now on the table, although not printed. It is the same amendment I offered on April 26, but the page references are different, although the rates are identical. The amendment had to be reoffered after the completion of the bill by the Committee on Finance, because of the differences in the page numbers. But in every other respect the amendment that was offered on April 26, 1932, and which is now available, is the same as that I offered this morning.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Louisiana.

Mr. LONG. I think I had the floor.

The VICE PRESIDENT. The Chair recognized the Senator from Michigan.

Mr. COUZENS. I yield to the Senator from Louisiana.

Mr. LONG. All right. The RECORD will show, Mr. President, that I had previously yielded.

The VICE PRESIDENT. The Chair has ruled.

Mr. LONG. What is the maximum surtax provided under the amendment of the Senator from Michigan?

Mr. COUZENS. In the amendment I have included the entire 1918 schedule, without any deviation in any respect, both as to normal taxes, surtaxes, exemptions, and earned income has been removed from the amendment; so that in every respect, if this amendment should be agreed to, the law would be the same as the 1918 act.

Mr. LONG. That is, the war-time rates.

The VICE PRESIDENT subsequently said: The Chair desires to make a statement. The Chair finds, upon an examination of the RECORD, that there was an error made this morning; that the Senator from Louisiana [Mr. LONG], instead of surrendering the floor, as the Chair thought, had only yielded to the Senator from Michigan [Mr. COUZENS], and that the Senator from Louisiana was, in fact, entitled to the floor.

The first amendment of the Committee on Finance was, on page 8, line 2, where the committee proposed, after the words "Title IX," to strike out "or section 811 (c)," so as to read:

TITLE I.—INCOME TAX

SUBTITLE A.—INTRODUCTORY PROVISIONS

SECTION 1. Application of title: The provisions of this title shall apply only to the taxable year 1932 and succeeding taxable years. Income, war-profits, and excess-profits taxes for taxable years preceding the taxable year 1932 shall not be affected by the provisions of this title, but shall remain subject to the applicable provisions of prior revenue acts, except as such provisions are modified by Title IX of this act or by legislation enacted subsequent to this act.

Mr. COUZENS. Mr. President, inasmuch as my amendment covers all of the provisions in Title I, I make the parliamentary inquiry as to whether it is in order to take up this amendment in its entirety, or must it be confined to the specific amendment made by the committee?

Mr. WALSH of Massachusetts. Mr. President, I suggest that the Senator ask unanimous consent to take up the amendment.

The VICE PRESIDENT. As the Chair understands, the amendment of the Senator from Michigan is offered as a substitute. It can be offered at this time, and it would be subject to amendment, the same as the provisions which are proposed to be stricken out.

Mr. COUZENS. Then I offer this amendment, to strike out all of subtitle B of Title I, and to insert the amendment which I have proposed.

The VICE PRESIDENT. The Chair is advised that this amendment does not relate to the first amendment of the committee, which has just been read. If that may be disposed of, then the Senator's amendment will be in order. The pending amendment is on page 8, line 2.

Mr. SMOOT. That is just a formal amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

The VICE PRESIDENT. The clerk will now read the amendment proposed by the Senator from Michigan.

The CHIEF CLERK. The Senator from Michigan offers the following amendment:

Amendments proposed by Mr. COUZENS to the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes, viz:

On page 9, strike out lines 19 to 25, both inclusive, and in lieu thereof insert the following:

"(a) 6 per cent of the first $4,000 of the amount of the net income in excess of the credits against net income provided in section 25; and

"(b) 12 per cent of the remainder of such excess amount."

Strike out lines 5 to 25, both inclusive, on page 10, all of pages 11, 12, 13, and 14, and lines 1 to 22, both inclusive, on page 15, and in lieu thereof insert the following:

"Upon a net income of $5,000 there shall be no surtax; upon net incomes in excess of $5,000 and not in excess of $6,000, 1 per cent of such excess.

"$10 upon net incomes of $6,000; and upon net incomes in excess of $6,000 and not in excess of $8,000, 2 per cent in addition of such excess.

"$50 upon net incomes of $8,000; and upon net incomes in excess of $8,000 and not in excess of $10,000, 3 per cent in addition of such excess.

"$110 upon net incomes of $10,000; and upon net incomes in excess of $10,000 and not in excess of $12,000, 4 per cent in addition of such excess.

"$190 upon net incomes of $12,000; and upon net incomes in excess of $12,000 and not in excess of $14,000, 5 per cent in addition of such excess.

"$290 upon net incomes of $14,000; and upon net incomes in excess of $14,000 and not in excess of $16,000, 6 per cent in addition of such excess.

"$410 upon net incomes of $16,000; and upon net incomes in excess of $16,000 and not in excess of $18,000, 7 per cent in addition of such excess.

"$550 upon net incomes of $18,000; and upon net incomes in excess of $18,000 and not in excess of $20,000, 8 per cent in addition of such excess.

"$710 upon net incomes of $20,000; and upon net incomes in excess of $20,000 and not in excess of $22,000, 9 per cent in addition of such excess.

"$890 upon net incomes of $22,000; and upon net incomes in excess of $22,000 and not in excess of $24,000, 10 per cent in addition of such excess.

"$1,090 upon net incomes of $24,000; and upon net incomes in excess of $24,000 and not in excess of $26,000, 11 per cent in addition of such excess.

"$1,310 upon net incomes of $26,000; and upon net incomes in excess of $26,000 and not in excess of $28,000, 12 per cent in addition of such excess.

"$1,550 upon net incomes of $28,000; and upon net incomes in excess of $28,000 and not in excess of $30,000, 13 per cent in addition of such excess.

"$1,810 upon net incomes of $30,000; and upon net incomes in excess of $30,000 and not in excess of $32,000, 14 per cent in addition of such excess.

"$2,090 upon net incomes of $32,000; and upon net incomes in excess of $32,000 and not in excess of $34,000, 15 per cent in addition of such excess.

"$2,390 upon net incomes of $34,000; and upon net incomes in excess of $34,000 and not in excess of $36,000, 16 per cent in addition of such excess.

"$2,710 upon net incomes of $36,000; and upon net incomes in excess of $36,000 and not in excess of $38,000, 17 per cent in addition of such excess.

"$3,050 upon net incomes of $38,000; and upon net incomes in excess of $38,000 and not in excess of $40,000, 18 per cent in addition of such excess.

"$3,410 upon net incomes of $40,000; and upon net incomes in excess of $40,000 and not in excess of $42,000, 19 per cent in addition of such excess.

"$3,790 upon net incomes of $42,000; and upon net incomes in excess of $42,000 and not in excess of $44,000, 20 per cent in addition of such excess.

"$4,190 upon net incomes of $44,000; and upon net incomes in excess of $44,000 and not in excess of $46,000, 21 per cent in addition of such excess.

"$4,610 upon net incomes of $46,000; and upon net incomes in excess of $46,000 and not in excess of $48,000, 22 per cent in addition of such excess.

"$5,050 upon net incomes of $48,000; and upon net incomes in excess of $48,000 and not in excess of $50,000, 23 per cent in addition of such excess.

"$5,510 upon net incomes of $50,000; and upon net incomes in excess of $50,000 and not in excess of $52,000, 24 per cent in addition of such excess.

"$5,990 upon net incomes of $52,000; and upon net incomes in excess of $52,000 and not in excess of $54,000, 25 per cent in addition of such excess.

"$6,490 upon net incomes of $54,000; and upon net incomes in excess of $54,000 and not in excess of $56,000, 26 per cent in addition of such excess.

"$7,010 upon net incomes of $56,000; and upon net incomes in excess of $56,000 and not in excess of $58,000, 27 per cent in addition of such excess.

"$7,550 upon net incomes of $58,000; and upon net incomes in excess of $58,000 and not in excess of $60,000, 28 per cent in addition of such excess.

"$8,110 upon net incomes of $60,000; and upon net incomes in excess of $60,000 and not in excess of $62,000, 29 per cent in addition of such excess.

"$8,690 upon net incomes of $62,000; and upon net incomes in excess of $62,000 and not in excess of $64,000, 30 per cent in addition of such excess.

"$9,290 upon net incomes of $64,000; and upon net incomes in excess of $64,000 and not in excess of $66,000, 31 per cent in addition of such excess.

"$9,910 upon net incomes of $66,000; and upon net incomes in excess of $66,000 and not in excess of $68,000, 32 per cent in addition of such excess.

"$10,550 upon net incomes of $68,000; and upon net incomes in excess of $68,000 and not in excess of $70,000, 33 per cent in addition of such excess.

"$11,210 upon net incomes of $70,000; and upon net incomes in excess of $70,000 and not in excess of $72,000, 34 per cent in addition of such excess.

"$11,890 upon net incomes of $72,000; and upon net incomes in excess of $72,000 and not in excess of $74,000, 35 per cent in addition of such excess.

"$12,590 upon net incomes of $74,000; and upon net incomes in excess of $74,000 and not in excess of $76,000, 36 per cent in addition of such excess.

"$13,310 upon net incomes of $76,000; and upon net incomes in excess of $76,000 and not in excess of $78,000, 37 per cent in addition of such excess.

"$14,050 upon net incomes of $78,000; and upon net incomes in excess of $78,000 and not in excess of $80,000, 38 per cent in addition of such excess.

"$14,810 upon net incomes of $80,000; and upon net incomes in excess of $80,000 and not in excess of $82,000, 39 per cent in addition of such excess.

"$15,590 upon net incomes of $82,000; and upon net incomes in excess of $82,000 and not in excess of $84,000, 40 per cent in addition of such excess.

"$16,390 upon net incomes of $84,000; and upon net incomes in excess of $84,000 and not in excess of $86,000, 41 per cent in addition of such excess.

"$17,210 upon net incomes of $86,000; and upon net incomes in excess of $86,000 and not in excess of $88,000, 42 per cent in addition of such excess.

"$18,050 upon net incomes of $88,000; and upon net incomes in excess of $88,000 and not in excess of $90,000, 43 per cent in addition of such excess.

"$18,910 upon net incomes of $90,000; and upon net incomes in excess of $90,000 and not in excess of $92,000, 44 per cent in addition of such excess.

"$19,790 upon net incomes of $92,000; and upon net incomes in excess of $92,000 and not in excess of $94,000, 45 per cent in addition of such excess.

"$20,690 upon net incomes of $94,000; and upon net incomes in excess of $94,000 and not in excess of $96,000, 46 per cent in addition of such excess.

"$21,610 upon net incomes of $96,000; and upon net incomes in excess of $96,000 and not in excess of $98,000, 47 per cent in addition of such excess.

"$22,550 upon net incomes of $98,000; and upon net incomes in excess of $98,000 and not in excess of $100,000, 48 per cent in addition of such excess.

"$23,510 upon net incomes of $100,000; and upon net incomes in excess of $100,000 and not in excess of $150,000, 52 per cent in addition of such excess.

"$49,510 upon net incomes of $150,000; and upon net incomes in excess of $150,000 and not in excess of $200,000, 56 per cent in addition of such excess.

"$77,510 upon net incomes of $200,000; and upon net incomes in excess of $200,000 and not in excess of $300,000, 60 per cent in addition of such excess.

"$137,510 upon net incomes of $300,000; and upon net incomes in excess of $300,000 and not in excess of $500,000, 63 per cent in addition of such excess.

"$263,510 upon net incomes of $500,000; and upon net incomes in excess of $500,000 and not in excess of $1,000,000, 64 per cent in addition of such excess.

"$583,510 upon net incomes of $1,000,000; and upon net incomes in excess of $1,000,000, 65 per cent in addition of such excess."

On page 36, line 19, strike out "$2,500" and insert in lieu thereof "$2,000."

On page 36, line 21, strike out "$2,500" and insert in lieu thereof "$2,000."

On page 36, line 24, strike out "$400" and insert in lieu thereof "$200."

On page 37, strike out lines 14 to 24, both inclusive, and all of page 38.

On page 48, line 7, strike out "$2,500" and insert in lieu thereof "$2,000."

On page 48, line 14, strike out "$2,500" and insert in lieu thereof "$2,000."

On page 60, line 18, strike out "16 per cent" and insert in lieu thereof "20 per cent."

On page 119, line 7, strike out "$2,500" and insert in lieu thereof "$2,000."

On page 121, line 3, strike out "9 per cent" and insert in lieu thereof "12 per cent."

On page 121, line 17, strike out "9 per cent" and insert in lieu thereof "12 per cent."

On page 123, line 5, strike out "9 per cent" and insert in lieu thereof "12 per cent."

On page 124, line 24, strike out "9 per cent" and insert in lieu thereof "12 per cent."

On page 157, line 17, strike out "9 per cent" and insert in lieu thereof "12 per cent."

On page 157, line 24, strike out "3 per cent" and insert in lieu thereof "6 per cent."

On page 158, line 7, strike out "3 per cent" and insert in lieu thereof "6 per cent."

On page 158, at the end of line 6, add the word "and."

On page 158, strike out lines 7 to 12, both inclusive.

On page 158, line 13, strike out "(3) 9 per cent" and insert in lieu thereof "(2) 12 per cent."

On page 158, line 15, strike out "paragraphs (1) and (2)" and insert in lieu thereof "paragraph (1)."

Mr. COUZENS. Mr. President, the amendment which has just been read by the clerk would reinstate the 1918 income-tax rates with all of the exemptions then applying. The amendment is exactly in the same form as the country became accustomed to in 1918. If these rates should be adopted we would be able to raise enough income without taxing production or consumption at all. It is my view that any tax which curtails production and consumption is a bad tax and not in the interest of improvement in business.

I have had placed on the wall of the Chamber several charts which show the rates in the acts of the different years. For example, one chart shows the rates in 1913, 1916, 1917, 1918, 1919, 1921–22, then the rates adopted by the House, and the rates of 1924. The rates which I am recommending to be adopted are indicated by the top line on the chart.

What I am about to mention is referred to particularly because there may be some objection that the taxes apply to those in the lower brackets to a very great extent. In 1918, with an exemption of $2,000 for a married man and $1,000 for a single man and $200 for each child or dependent, a man with a net income after these deductions paid $60 income tax on an income of $3,000. My contention is that if a man with a net income in 1918, with the high cost of living in 1918, could afford to pay $60 income tax, he can afford to pay $60 income tax in 1932. In other words, the tax would not be nearly so burdensome or high as it was in 1918 with the then high cost of living.

The same man with $3,000 net income paid $40 in 1919, $20 in 1922, $8 in 1924, and nothing in 1926 and 1928. The House bill provided that he would pay $3 under their rates. The Finance Committee rate would have compelled him to pay $4. It will not be necessary for me to go through each one of the groups. I have had them displayed in this form for the sake of simplicity so that Senators would be able to see in actual dollars and cents what would have to be paid by each of the groups all the way up to incomes of $1,000,000 and over.

Mr. TYDINGS. Mr. President, I hope the Senator will put the charts in the RECORD, too.

Mr. COUZENS. Yes; I shall be very glad to do so.

For example, under the 1918 rate a man with $1,000,000 income would have paid $703,030 income tax. Under the bill as it comes from the committee he would pay $492,940. It

is estimated, based on the best information we have, that there are still 70 people in the United States with incomes of $1,000,000 or more. Perhaps the best way to get the effect of the 1918 rate is to estimate the number of taxpayers in each of the groups.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Nebraska?

Mr. COUZENS. I yield.

Mr. NORRIS. Does the chart to which the Senator has been referring show what the tax would be on these various items under the Senator's amendment?

Mr. COUZENS. My amendment provides for a return to the 1918 rates. Here [indicating] is the schedule at the top showing that those were the highest rates; in other words, a man with $100,000 income, under the 1918 rate, would pay $35,030, while under the recommendation of the Committee on Finance, and according to the rate now in the bill, he would pay $28,440. There [indicating] is a graph showing the variations in the rates for the different years.

Under the 1928 rates there were 83,100 returns of those having a net income of $1,000 a year or less. The net income of that number of taxpayers was some $50,000,000, and the taxes paid amount to nine-tenths of 1 per cent on the net income of the group. It is estimated, if we return to the 1918 rates, that the tax on that class of incomes will be at the rate of 1.38 per cent. So, even going back to the highest rates that I propose, a man in that class would only be required to pay 1.38 per cent of his income.

The aggregate number of taxpayers filing returns under the 1928 law was 2,711,535. Under the rate which my amendment provides there would be an increase in tax returns to 7,125,035, thus accomplishing, to a large degree, what the Treasury Department and everyone else knows ought to be accomplished, namely, a wider base for taxation. This wider base is brought about by a lowering of the exemptions. The amendment which I propose reduces exemptions for a married man from $3,500 to $2,000 and for a single man from $1,500 to $1,000. That reduction will account for the larger number of returns which will be received.

Now I want to point out where, under this proposal, the large income will come from, because it will be contended that under existing conditions we may not expect that so many tax returns will be filed. Take, for example, the number of returns in the bracket from $3,000 to $5,000 to which I have just been calling the attention of the Senate. There will be 1,251,000 such returns, and the Government would get $110,000,000 in revenue. That would figure an average tax of $87.93 per person from those in the class receiving incomes of from three to five thousand dollars.

We have taken the estimate of returns based on the experience of 1921, and, after allowing for a lesser number of returns because of depressed conditions, we have taken off 10 per cent further than the estimated smaller number in the different groups. We estimate that, based on this new schedule, we will receive an income of $1,134,074,000. That is the estimate after deducting $126,000,000 from the estimates based on a leeway allowed because of depressed conditions.

Mr. DILL. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Washington?

Mr. COUZENS. I do.

Mr. DILL. Has the Senator stated how much more revenue it is estimated the rates proposed by him will raise than the rates proposed by the Senate committee?

Mr. COUZENS. Yes; I have the figures here somewhere.

Mr. WALSH of Montana. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Montana?

Mr. COUZENS. I do.

Mr. WALSH of Montana. Am I right in gathering from the statement the Senator just made that this source of revenue alone will produce more than the aggregate provided by the entire bill as reported by the committee?

Mr. COUZENS. Oh, no; it will produce more than all the sales taxes, I said.

Mr. WALSH of Montana. What is that?

Mr. COUZENS. I said all the sales taxes; that is, the excise taxes on all articles may be eliminated by adopting this proposal. It will not, in my judgment, permit the elimination of the increase in postage rates; it will not, in my judgment, permit the elimination of the stamp taxes. It will permit, however, the exemption in the case of theater admissions being 45 cents instead of 10 cents. The committee first agreed, and so far as I remember, unanimously, to exempt all theater tickets up to 45 cents. Then, when we adopted the Mills bill we reduced the exemption to 10 cents, so that everybody attending a theater and paying over 10 cents for his ticket would be required to pay a 10 per cent admission tax. It is the judgment of most of us, I think, that to tax theater admissions of 10 cents and above is going to the heights of absurdity. It is true there would be some $40,000,000 difference in revenue because of the reduced exemption, but I submit that the $40,000,000 is taken from a group of our citizens who ought not have begrudged to them the little joy they now get out of a 10, 15, 25, or 30 cent theater. However, the committee went to that extreme rather than to raise the taxes in the high-income brackets.

I will admit that the program I propose will not permit doing away with all the nuisance taxes, but it will permit the doing away with all taxes on production.

If I make any errors in my figures, I hope the Senator from Utah will correct me, because I was not prepared to go on to-day; I did not think we would reach the bill so quickly; but I have given some thought to the question and compiled some figures, and, I repeat, if I have made any errors in the figures or shall make any errors, I want the Senator from Utah to correct me.

Mr. SMOOT. Mr. President, I should like to ask the Senator what his estimate is of the additional tax the Government will receive under his amendment?

Mr. COUZENS. It will be $330,000,000 more than will be derived from the similar provision of the bill as reported by the committee.

Mr. SMOOT. I requested the department to give me an estimate of the increased amount which would be obtained if the Senator's proposal were adopted, and that estimate is $193,000,000.

Mr. COUZENS. I assume that any estimates may be controverted but the judgment of Mr. Parker, who represents the joint tax committee, I assume is as sound as is the judgment of some other employee of the Treasury Department. Obviously the Treasury Department wants to make the estimate as low as possible on these rates, because it does not want to adopt them. When the department is unfriendly to a proposal it is not difficult for them to picture it in as bad a light as possible. I am not charging them with any deliberate misconduct, but they have probably been ultraconservative in estimating that only $193,000,000 additional revenue will be derived from the 1918 rates over the revenue which will be derived from the rates now in the bill.

Mr. SMOOT. It must be admitted, I think, that there were men in 1922 who were receiving incomes of a million dollars or two million dollars or even three million dollars a year who will not pay a cent of taxes this year.

Mr. COUZENS. I do not agree with the Senator as to that. I contend—I may be slightly in error in my estimate—that there are still 70 people in the United States who receive incomes of a million dollars a year or more. That number is not a high estimate. I wonder what has become of all the dividends that have been paid by many industries up to date? Only recently have they been commencing to suspend dividends; but there is all the interest on the railroad securities and on utility securities and on other enterprises that have billions of dollars of outstanding obligations.

Mr. SMOOT. But none of them are paying dividends now. Many of the great industrial concerns in the United States have omitted dividend payments.

Mr. COUZENS. But some are paying dividends; many of the banks are paying dividends.

Mr. SMOOT. But in most cases half the amount which was formerly paid.

Mr. COUZENS. I am not saying how much they are paying.

Mr. SMOOT. Take the Union Pacific Railroad, which yesterday declared a dividend of only 1½ per cent. I could name many of the great concerns, including railroads, that are not paying a single cent in dividends.

Mr. COUZENS. Yes, but I have waived dividends; I am talking about securities; and I say that interest is being paid on them. The astounding thing is that the Government is providing money for the Reconstruction Finance Corporation to continue paying interest on the outstanding indebtedness of all the railroads. So the railroad-bond interest, at least, has not defaulted. Then there are all the power interests, all the utilities, and various industries that are paying interest on their outstanding mortgages and indebtedness. Somebody is receiving the interest thus being paid.

Mr. SMOOT. But no dividends whatever.

Mr. COUZENS. I understand there are also some dividends being paid.

Mr. SMOOT. I do not know of any.

Mr. COUZENS. Does the Senator want to check it up? If so, I will send for Moody's Manual and show that there are thousands of concerns in the United States still paying dividends.

Mr. SMOOT. The Senator was talking about electric light and power companies.

Mr. COUZENS. Yes. Take the Detroit Edison Co., in my home city, that great corporation is still paying 8 per cent. Does the Senator mean to imply that none of the power companies and none of the utility companies are paying any dividends?

Mr. SMOOT. If they are, they can be counted on the fingers of one hand.

Mr. COUZENS. I deny that statement, Mr. President, because it is not the fact.

Mr. SMOOT. I know, Mr. President, of a great many of them; I have seen their statements, and they are not paying dividends this year.

Mr. COUZENS. What about the $400,000,000 profits in short sales, for instance? Are there no profits being made anywhere? Evidently the Senator from Utah has not studied very thoroughly what is going on in the New York Stock Exchange.

Mr. SMOOT. I do not say there are no profits being made anywhere.

Mr. COUZENS. The Senator said there were no dividends being paid. It does not make any difference what technical name is used; call them dividends or any other name you choose, it is immaterial.

Mr. SMOOT. I do not say that no dividends are being paid; I said dividends have been reduced and reduced greatly, and many of the large concerns are paying no dividends.

Mr. COUZENS. I know that, and I am taking that into account. I have taken that into account in the estimates, and that is also taken into account in the estimates that Mr. Parker has made, and, based on an analysis of the income-tax returns of 1921, which was a bad year, allowing for the reduction in dividends, we believe that we can collect over $300,000,000 more by these rates than can be collected by the rates of the committee bill.

Mr. SHIPSTEAD. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Minnesota?

Mr. COUZENS. I do.

Mr. SHIPSTEAD. In regard to the income of the utilities furnishing electricity, I have here from the Bureau of Labor Statistics the figures for 1928, 1929, and 1930. It is shown that all the charges for services in 12 of the largest cities of the United States are the same as they were four years ago.

Mr. SMOOT. That is up to 1930. We are in 1932 now.

Mr. SHIPSTEAD. I have not the figures for 1931.

Mr. SMOOT. I am talking about 1932.

Mr. SHIPSTEAD. I am talking about the charges for electrical service.

I ask unanimous consent to have these figures inserted in the RECORD at this point.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

Retail prices of electricity for household use in principal cities

(Net price in cents per kilowatt-hour, electricity for household use)

[Source: Statistical Abstract, 1931, p. 391. Full details in Monthly Labor Review]

	Net price after discount, etc.		
	1928	1929	1930
	Cents	*Cents*	*Cents*
Chicago:			
First 3 kilowatt-hours per room	7.0	7.0	7.0
Next 3 kilowatt-hours per room	5.0	5.0	5.0
Excess	3.0	3.0	3.0
Detroit: First 3 kilowatt-hours per active room (minimum 3 rooms)	9.0	9.0	9.0
Memphis: First 6 kilowatt-hours per room	8.0	8.0	8.0
Omaha: First 10 kilowatt-hours per room	5.5	5.5	5.5
St. Paul (minimum charge, $1 net):			
First 3 kilowatt-hours per room	8.6	8.6	8.6
Next 3 kilowatt-hours per room	7.1	7.1	7.1
San Francisco:			
Service charge	40.0	40.0	40.0
First 30 kilowatt-hours for 6 rooms, 5 kilowatt-hours for each additional room	5.0	5.0	4.5
Columbus: First 50 kilowatt-hours	7.0	6.0	6.0
Dallas: First 800 kilowatt-hours	6.0	6.0	6.0
Louisville: First 30 kilowatt-hours	7.6	7.6	7.6
New Orleans:			
Service charge	25.0	25.0	25.0
First 20 kilowatt-hours	9.1	9.1	9.1
Next 30 kilowatt-hours	7.8	7.8	7.8
Pittsburgh:			
First 10 kilowatt-hours	8.0	8.0	8.0
Next 20 kilowatt-hours	5.5	5.5	5.5
Rochester: All current	8.0	8.0	8.0
Seattle: First 40 kilowatt-hours	5.5	5.5	5.5

Wholesale prices of fuel and lighting materials

[1926=100]

	1927	1928	1929	1930	1931
Anthracite coal	96.3	91.7	90.1	89.1	91.1
Bituminous coal	100.4	93.6	91.3	89.4	84.6
Coke	94.4	84.6	84.6	84.0	82.4
Gas, manufactured	97.9	94.9	93.2	97.3	[1] 100.1
Petroleum products	72.7	72.0	71.3	61.5	39.5
Average (1926=100)	86.5	82.8	81.6	76.1	63.4
Average (1913=100)				124.1	

[1] November, 1931.

Mr. COUZENS. Mr. President, referring to what the Senator from Utah says, I have just had my secretary hand me some figures which I had prepared for the proper occasion; but, as I say, I was rushed into this debate this afternoon, not expecting that we would reach the matter so early. These are the average monthly dividends as shown by the survey of current business of the Department of Commerce of a representative and comparative group of corporations:

In 1927 the monthly dividends were $174,000,000. I will not give the odd figures. In 1928 they were $193,000,000; in 1929, $289,000,000; in 1930, $352,138,000; in 1931, $308,108,000. The average monthly interest charges paid out in 1927 were $289,000,000; in 1928, $308,000,000; in 1929, $342,000,000; in 1930, $364,000,000; and in 1931, $379,000,000.

When we listen to Mr. Schwab and some of the inspired writers we would think that there is not any more money left in the world; that there is not any more income; that everybody is broke. Everyone knows that the country is greatly depressed; yet no one will claim that we are not doing any business; that there are no incomes anywhere. Certainly the great railroads, certainly the great power interests, certainly the great utility companies, certainly the great gas companies, are not in the hands of receivers, and why? Because they have continued, in most cases, to charge the rates that they have been charging, regardless of the decreased cost of doing business or of performing the service. They have made, and continue to make, stupendous

profits; and they are paying all of the interest on their underlying obligations and millions and millions of dividends.

It is the height of absurdity to say that the American people have not any income. It can not be proved. Anyone who attempts to lead the public or anyone to believe that America is dead is doing the very thing that they have been preaching not to do, and that is to sell America short. When they want to escape taxes, when they want to preserve their incomes, when they want to avoid their responsibilities, then they contend that America has been sold short. When they are getting out to boom business, to increase sales, to increase profits, then they say, "Do not sell America short."

So it can not be contended that there is no national income. If there be national income—as I contend and everyone knows there is—sufficiently high taxation can be placed upon it, without doing undue injury to anyone, to balance the Budget without any consumption taxes other than those we have usually had, such as those on tobacco.

I admit that under these depressed conditions the corporation tax and the income tax are not adequate to balance the Budget; and I frankly said that in spite of the rates which I propose in this amendment we shall have to tax theaters on admissions in excess of 45 cents; we shall have to have the increase in postage rates, and we shall have to have the 2-cent tax on checks. If we can avoid all of these consumption taxes—and I still contend that a consumption tax is a vicious tax—if we are to reemploy the unemployed, if we are to get the unemployed back to work, little or no handicap should be placed on production and consumption.

I submit that if there are only some 7,000,000 people with incomes of more than $1,000 who would have to make returns under these rates, there must be tens and tens of millions of our people who do not make even that minor income; and yet under the sales tax we propose to do the vicious thing of keeping down the rates on the 7,000,000 people who can pay and placing the burden of some $200,000,000 which is to be proposed by my friend from Massachusetts [Mr. WALSH] on those least able to pay. In other words, to avoid income taxes for some 7,000,000 people able to pay, we propose to put on the people $200,000,000 of taxation to prevent their consuming.

In other words, the general sales-tax advocates propose to add to the cost of every lead pencil, every book, every school supply that the children use. They propose to add to the cost of every kitchen utensil, every stove in the home of a man who is living on $1,000 a year or less. They propose to tax every spoon, every knife, every plate, every dish, every curtain, every hanging, every piece of equipment in the bathroom, every bathtub, every single thing that is necessary in a home, almost as necessary as food and clothing. They propose to raise $200,000,000 from those people who have the greatest difficulty in avoiding going over the economic precipice—what for? To save raising $150,000,000 or $200,000,000 from 7,000,000 citizens who are unqualifiedly able to pay.

This proposal should not rest on personalities. This proposal should rest upon its merits. I know some of the conversation that is going on. The personal situation of any particular Senator, or the individuality of any proponent or opponent, is immaterial. These problems to be settled in the Senate should be based on their merits, no matter from whom they come. If this proposal has not any merit, of course I do not expect that it will receive any votes. I am unable, however, by any stretch of the imagination, to understand why a corporation that is struggling to get along, a partnership, or a private business man struggling to keep his head above water should be penalized by paying a sales tax that it may or may not be possible to pass on to the ultimate consumer.

I submit that that proposal drives every business house and every business man to cut wages, to discharge employees, so as to keep down his selling price and enable him to compete with his perhaps more fortunate competitor who is able to absorb the tax.

Let us take, for example, two manufacturers, one of whom is well equipped financially and efficient. He has a sales tax of 2 per cent or 1 per cent added to his cost of production and the less fortunate one has to meet that condition. Let us assume that the more fortunate one absorbs the 2 per cent and the less fortunate one then has to try to absorb it. What does he do? He immediately starts out to depress labor, to depress wages, to economize, to lay off all the help he possibly can, so that he may compete and absorb the tax which his more fortunate competitor has been able to absorb.

That is the picture if it is contended that these sales taxes will be absorbed. The other picture is: If they are not absorbed, that they are passed on to be paid, in the great, great majority of cases, by the class of our citizens who have the greatest difficulty in maintaining their economic existence.

What excuse, what reason, can anybody advance for not being willing to pay those modest taxes for the sake of keeping industry together and for the sake of not having to penalize sales and consumption? There never was a consumption tax that was justified, unless it was the liquor and tobacco taxes.

Here is a man getting $5,000 a year. Would that man prefer to pay $180 income taxes on $5,000 a year and have no curb put on production and consumption, or would he prefer to be forced into a competitive situation where his salary might be reduced a thousand dollars a year? Would he prefer to pay $180 upon a net income of $5,000 or to be laid off and discharged so that competitors in business, if you please, may be able to absorb an indefensible and inexcusable sales tax? How can the unemployed be put back to work if we are going to curb production, if we are going to make buying more difficult, if we are going to raise the cost of things? How are people going to buy—and, without buying, how can men be returned to work?

While on that point I want to point out another matter that is generally overlooked.

There is not one chance in a million to put the unemployed back to work on the necessities of life. The men and women who are working to-day are supplying practically all of the necessities of life; so where are our seven or eight million men who are out of work to be put back? The only place that they can be put back to work is on the so-called luxuries that are taxed in this infamous bill—a bill written in almost every detail by a group that has little understanding of the needs of the thirty or forty million workers other than the 7,000,000 proposed to be taxed under this amendment.

What excuse has anyone to make for requiring a man to pay $830 on a $10,000 income? Is it better for a man to have his $10,000 income maintained, and pay $830, or is it better to have his income cut to $7,500, or have the possibility of being laid off because of an infamous sales tax, which drives the manufacturer and the producer to cut every possible cost, to cut salaries, and to cut help, so that he can pay the sales tax. There is no justification, under any sound economics or even under the Government's necessities of the moment, as great as they are, for placing such an infamous tax as the consumption tax on every commodity outside of food and clothing.

Mr. COSTIGAN. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. COSTIGAN. One of the great merits of the suggestion of the Senator from Michigan [Mr. COUZENS] is that practically all taxes are paid out of income, and that the man with little or no income is not taxed.

Mr. COUZENS. There never was a more just conception of taxes. What does Mr. Hearst say in all his editorials? I am sorry that I am not fully prepared to-day, owing to the fact that I did not know this question would be reached so soon; but I shall have something more to say before the consideration of the tax bill is concluded. What has Hearst said in his editorials for months? He has been urging and urging a sales tax; and what for? Frankly, to eliminate the unsound income taxes.

The junior Senator from California [Mr. SHORTRIDGE] read in the Finance Committee an editorial written by Mr. Hearst, in which he said that if Congress were not so cowardly they would impose a sales tax, and that then it would not be necessary to raise the income taxes.

The proponents of a sales tax are organized, some of them innocently drawn into the vortex of the demand for a sales tax. And what is the motive back of the move? The purpose is to take the tax off of wealth.

Another very subtle piece of propaganda that is going around is the statement in dozens of letters I have received, "We demand that you vote for a sales tax." I observe, however, that practically all of these letters were dictated to stenographers and written on typewriters. They are not written in longhand, as are the letters emanating from a great majority of our people who have to write by hand with pen and ink and who do not have stenographers and typewriters to do their letter writing for them.

These letters we receive say, "We want a painless tax." The man who proposes the painless tax, the tax that is felt the least, is worse than a communist so far as the welfare of the Government is concerned.

Just as soon as there is established a painless tax and all pressure upon the taxpayer is relieved, then we will have to submit to minority groups for appropriations. Why have we gone on and built up this great bureaucracy? Why have we our Budget so high? Because it was a sort of a painless tax we were collecting. We kept on reducing the taxes down to a point where they became less painful.

Now it is apparent that there is going to be some painful taxation instead of painless taxation. As soon as taxation becomes painless we may as well say good-by to efficient and economical government.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. COUZENS I yield.

Mr. CONNALLY. Let me suggest to the Senator from Michigan that in a time of depression like this, when most businesses and most individuals are either making no profits at all or are actually suffering losses, the virtue of an income tax in this kind of a situation is greater than ever, because it is a tax only on profits, whereas a consumption tax may be a tax not only on losses but on necessities. If a man has an income, he has profits, and he can pay a tax and still have sufficient left to prevent hardship and suffering.

Mr. COUZENS. That is what I am trying to point out. The unfairness of a sales tax is that it taxes losses. If one is running a plant and producing and doing the best he can, under the present conditions, he is required to pay the Government a 1 or 2 per cent sales tax so as to save money for the man who is making a profit or an income. Is there any justification or equality in taxation that adopts such a philosophy as that?

I venture to say that among 96 Senators there are not 96 letters received from those who have to use pen and ink supporting a sales tax. It will be found that all big business and all the manufacturers, who maintain stenographers and typewriters, propose a painless sales tax, a sales tax which taxes the all-day sucker of the children, the candy, the school supplies, all hospital facilities, every piece of surgical goods, all bed clothing, every conceivable thing—not to raise revenue; that is not the purpose. The purpose is to get rid of the income tax and the estate taxes.

I do not claim, Mr. President, that everyone who is proposing a sales tax is conscious of that fact. There are many good citizens who are not conscious of the drive in which they are participating. But do not forget, Mr. President, that the master mind originated this, and the master mind expects to drive Congress into adopting a tax system which is indefensible, and done for the sole purpose of saving those best able to pay from paying taxes.

I am unconcerned about whether or not Canada has a manufacturers' sales tax. I have not the slightest doubt that Canada is controlled by the same dominant influences which attempt to control the United States. To the credit of the House of Representatives, notwithstanding the inspired articles and inspired editorials, they did a splendid and fine thing when they eliminated the consumption and sales tax from the bill that was foisted on them by the Ways and Means Committee.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. GLASS. Upon the assumption that the sales tax in nearly every instance is passed on to the consumer, when it reaches the consumer is it not in practical effect a cumulative tax, is it not a pyramided tax, which grows from the start to the consumer?

Mr. COUZENS. I am glad the Senator raised that question, because that is one thing I want to discuss, and I really am somewhat unprepared to-day. I did not think this question was to be reached so soon, as I said before.

The Canadian system, it was argued in the Committee on Finance and in the House, prevents pyramiding by exempting the manufacturer from paying a sales tax on goods on which the previous producer has paid a tax, but I submit that it is just as subtle to talk about not having any pyramiding through that method as it is to say that a tariff is not pyramided. I submit that if I import, as a merchant, a hundred dollars' worth of goods, and pay a 30 per cent tariff, I demand a profit on my $30 invested in a tariff, just the same as I demand a profit on the $100 I invested in my merchandise. So, if a manufacturer invests $100,000 in taxes when he sells his goods, does anybody think he is so stupid that he does not ask remuneration and profit on the $100,000 he invested in taxes?

I admit that a sales tax, under the Canadian plan, is not so objectionable, from the standpoint of pyramiding, as a sales tax which did not have the licensing scheme whereby a manufacturer would be licensed so as to avoid the duplication of taxing the same commodity.

Now I want to point out how soft we are, how we have gotten to the easy-money stage, and I want to tell a little about what England has had to stand in the way of income taxes in order to balance her budget. I am not saying this because I think the United States ought to emulate any other country. I am just trying to put a little backbone into us, so that we will not begin to cry and whine because we have some taxes to pay.

A man in England with an income of $3,000 a year, based on the British pound at the present rate, would pay a tax of $453 against $60, which a citizen of the United States would have to pay on the same income.

A man with an income of $5,000 a year would pay $180 in the United States under the proposed rates, not the existing rates, and in Great Britain he pays $703.

In the United States, under the proposed rates, an income of $10,000 would have to pay $838 and in Great Britain $1,828.

Let us commence to shed some tears for the big income-tax fellows. For example, take the man with an income of $200,000. He pays a tax of $109,863 a year in Great Britain against $93,000 in the United States.

Mr. BORAH. Has the Senator figures for the $100,000 income?

Mr. COUZENS. In Great Britain on an income of $100,000 one has to pay $47,738 and in the United States, under the proposed rates, one would pay only $35,030.

We figured out that if the 1918 rates were adopted we would receive for the fiscal year 1933, $486,000,000 additional and for the fiscal year 1934 $810,000,000 additional. That would eliminate, as I said, all consumption taxes. We could even waive consideration of what we might or might not get from the additional estate taxes. It was estimated that we would get only about $20,000,000 from that source this year. We figured practically nothing from gift taxes this year.

While I made the estimate only roughly and am not pressing it, I still believe that corporations could pay an 18 per cent profits tax, especially in view of the fact that the committee has eliminated a 1½ per cent extra charge for filing consolidated returns. My own view is that there is no justification in the world for permitting the filing of

consolidated returns. But big business has a great many friends and big business makes a very plausible excuse for being granted permission to file consolidated returns.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Nebraska?

Mr. COUZENS. I yield.

Mr. NORRIS. I would like to ask the Senator a question or two about consolidated returns. Will there be an attempt made to eliminate the consolidated-return feature of the bill? Will we have an opportunity to vote on an amendment that would accomplish that end?

Mr. COUZENS. Yes; if the Senator will introduce it.

Mr. NORRIS. That might be easy to do, but I am depending on members of the committee who feel as the Senator from Michigan does. There are a number of Senators who feel that way.

Mr. COUZENS. I have attended this year 160 committee meetings, and I am unable to stand here all day and fight what I think is objectionable in the bill after having done it in the committee. I submit that some other Senators will have to assume some of the responsibility if they want to do all the things they seem to have in mind.

Mr. BANKHEAD. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Alabama?

Mr. COUZENS. I yield.

Mr. BANKHEAD. I would like to find out from the Senator what the difference would be in payment of taxes as between using the consolidated return and not using it.

Mr. COUZENS. I am told that it has been estimated from $10,000,000 to $25,000,000, but no one knows as a matter of fact. It is the poorest kind of estimate. For example, in the hearings before the Finance Committee an oil representative testified that all of the losses which they had encountered in the production of oil they had been permitted to deduct from the profits on a pipe line. Now ordinarily no one should object to a consolidated return when an industry is confined exclusively to one activity, and because of the demands of a State they are required to form a separate corporation within that State to transact their ordinary business. In such a case a consolidated return is perfectly justified, in my opinion. So that, because of these justifications, it is not quite a simple matter to condemn all consolidated returns. But there are common stockholders in diversified businesses or diversified industries who are enabled, by the permission granted to file a consolidated return, to wipe out all of their taxes on their profitable enterprises by deducting their losses on their unprofitable enterprises.

I do not know how far this has gone, but I want to point out the possibilities of such a thing. For instance the Senator from Nebraska and I might be competing. I could run at a loss because I had another business against which I could charge my losses. He has no other business from which he makes a profit, so I get the advantage of being able to stand my losses through deductions from the profits on another business by making consolidated returns and thus having a decided advantage in competition. But it is an artificial form of competition. I do not object to natural and proper competition, but I do complain about artificial competition permitted in this way through an act of Congress.

Mr. COSTIGAN. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Colorado?

Mr. COUZENS. I yield.

Mr. COSTIGAN. The Senator spoke a moment ago of corporation taxes. Is the Senator in a position to place in the RECORD a table stepping up corporation taxes to 20 per cent, thereby disclosing what revenues would probably accrue to the Government under successive percentage tax assessments?

Mr. COUZENS. I have not the information in form to submit as the Senator suggests. I made an effort through several devices to balance the Budget, and in doing so I took the 1918 rates and figured that we would receive $486,000,000 on that basis. If we adopted the 18 per cent tax on corporations we would raise $112,000,000 more from corporations. We figured that by means of the administrative amendment put in the bill by the Ways and Means Committee and approved by the House and recommended by the Treasury Department, we could prevent a lot of evasions or close a lot of loopholes, and by that process save approximately $200,000,000 more. If we have $80,000,000 to $100,000,000, as I understand is reported by the Senator from Utah [Mr. SMOOT], obviously the higher the rate the more advantages would be gained by closing the loopholes. I figured that with the stock-transfer tax and admission tax on admissions of 45 cents and over, and with a reduction in Government expenses, we would account for $1,245,000,000, and it requires $1,241,000,000 to balance the Budget. So in the proposal I have made we would adopt the 1918 rates, the 18 per cent corporation-profits tax, make the saving of $200,000,000 in administration of the law through closing of the loopholes and preventing of evasions, and altogether we could balance the Budget without a single burdensome tax such as are included in the sales tax or excise tax.

I have seen statements by some of the inspired writers that "sales tax" is a misnomer, that it should be called an excise tax. They recognize the odium which has been attached to the term "sales tax," and now they want to dignify it by calling it an excise tax; but no matter by what name it is called, it is a tax on consumption. I submit that if the country is to recover at all it has got to increase consumption—not the consumption of necessities, because the necessities are now being supplied, but we have got to increase the use of what Congress has presumed to call luxuries, such as radios, phonographs, automobiles, and all of those things upon which the Congress has attempted to put a consumption tax.

Mr. KING. Mr. President, will the Senator permit an interruption?

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Utah?

Mr. COUZENS. I yield.

Mr. KING. I was interested in the statement just submitted by the able Senator as to the amounts which will be raised on incomes under the 1918 rates. I was wondering how those figures were obtained. I know they are, of course, all more or less conjectures, as all of our guesses are, but I was wondering just what facts and data the Senator has in order to fortify the conclusions reached that the amount would be raised which he has just indicated.

Mr. COUZENS. I said previously in my remarks——

Mr. KING. I was detained in a committee meeting and hope the Senator will pardon me for asking the question.

Mr. COUZENS. I do not object, but I referred before to the fact that we took the 1921 returns, 1921 being a bad year, and deducted from them.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Nebraska?

Mr. COUZENS. I yield.

Mr. NORRIS. The Senator has been talking a good while now. If he will yield for that purpose, I should like to suggest the absence of a quorum.

The VICE PRESIDENT. Does the Senator from Michigan yield for that purpose?

Mr. COUZENS. I yield.

Mr. NORRIS. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Bailey	Connally	Hebert	McGill
Bankhead	Coolidge	Howell	McKellar
Bingham	Costigan	Johnson	McNary
Borah	Couzens	Jones	Metcalf
Bratton	Dale	Kean	Moses
Bulkley	Fess	Kendrick	Norris
Bulow	George	Keyes	Nye
Byrns	Glass	King	Oddie
Caraway	Hale	La Follette	Patterson
Carey	Harrison	Lewis	Robinson, Ark.
Cohen	Hatfield	Logan	Robinson, Ind.

Schall	Smoot	Townsend	Walsh, Mont.
Sheppard	Steiwer	Trammell	Watson
Shipstead	Stephens	Tydings	
Shortridge	Thomas, Idaho	Vandenberg	
Smith	Thomas, Okla.	Walsh, Mass.	

Mr. FESS. I wish to announce that the Senator from Kansas [Mr. CAPPER], the Senator from Vermont [Mr. AUSTIN], the Senator from Illinois [Mr. GLENN], the Senator from New York [Mr. COPELAND], and the junior Senator from Illinois [Mr. LEWIS] are detained in a committee meeting.

The VICE PRESIDENT. Sixty-one Senators have answered to their names. A quorum is present. The Senator from Michigan has the floor.

Mr. COUZENS. Mr. President, I see the experts here are controverting each other as to the soundness of the estimates based upon the 1918 rates. If one confers with those gentlemen he will have to draw his own conclusions as to who is accurate; and I suppose that is what a jury always has to do when they hear from experts, and especially from doctors, college professors, and economists.

Mr. President, it is estimated that under the present law those filing income-tax returns showing incomes under a thousand dollars—and when I say that I mean after the exemptions are allowed—number only 83,100. Under the 1918 rates as of to-day there would be 374,000 such individuals filing tax returns. I mention this to show the widening of the base brought about by reducing the exemptions, not only for married persons but for single persons, and also the exemption on account of dependent children.

In the group from $1,000 to $2,000 under the present law as of to-day there are 650,900 returns filed; under the 1918 law, with the reduced exemptions, there would be 2,580,000, again showing how the base of income taxation would be widened.

In the $2,000 to the $3,000 group at present there are 530,900 returns filed. Under the 1918 rates there would be 2,290,000.

In the group of from $3,000 to $5,000—and that is the largest group of all so far as numbers under the present law are concerned—there are 816,600. Under the 1918 rates there would be 1,251,000.

I will skip some of these figures and will take, for example, the group consisting of those having incomes of from $10,000 to $25,000. Under the existing law persons in that group filed 161,500 returns. We estimate that under the new law there will be the same number of returns.

So in the aggregate 2,711,000 would pay taxes if the present law were maintained, while if the 1918 rates were adopted and made a part of the bill 7,125,035 returns would be filed.

I recognize that in view of the order in which the bill is arranged, the income-tax rates coming first, it is rather difficult to obtain an intelligent and understandable vote on this amendment at this early stage of the discussion. It might be properly said that the income-tax rates should be adjusted upon the basis of the needs of the occasion; I submit that that would be an equitable way of arranging the income-tax rates; but, under the parliamentary procedure, we can not deal with all the nuisance taxes, all the excise taxes, all the transfer taxes, all the stamp taxes, before considering the income-tax rates, but we have got to deal first with the income-tax rates. I submit that after the Senate has carefully gone through with this enormous bill and has had to contend with all the difficulties incident to dealing with all the nuisance, excise, and other taxes it will have a different attitude toward the income-tax rates from what it now has. If there are Senators who feel indisposed to vote for these rates now, they probably will be more disposed to vote for them after they have come in contact with the contentious paragraphs and sections in this bill taxing different services and different commodities. So I am going to have to suffer under the handicap, apparently, of a vote being had on the income-tax rates prior to the Senate having had an opportunity to consider all the other contentious rates in the bill. Therefore, so far as I am concerned, I will have to submit my case to a vote.

Mr. TRAMMELL. Mr. President, will the Senator yield to a question?

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Florida?

Mr. COUZENS. I do.

Mr. TRAMMELL. I see under the proposal of the bill as it came from the House and also as reported by the Senate committee, the exemptions from the income tax have been reduced in the case of a married person or head of a family from $3,500 to $2,500, and in the case of a single person from $1,500 to $1,000. Has the Senator any data showing how much additional revenue over and above the expense of administration of that particular feature of the law the Government would obtain?

Mr. COUZENS. We do not consider that there will be any additional expense of administration because of the lowering of the exemptions. Individuals file the returns, anyway, only with a lesser exemption, that is all.

Mr. TRAMMELL. Under the present law—and I presume the same thing is carried into the measure we are now considering—an individual does not have to make a return unless his income amounts to a given sum.

Mr. COUZENS. That is true.

Mr. TRAMMELL. In other words, a person whose exemption is, say, $3,500 under the present law, with so much for his minor children, unless he has a net income in excess of his exemptions, does not have to make a return, and likewise a single person pays no tax unless his income is in excess of his exemptions. Therefore, by reducing the exemptions there would, of necessity, be filed a great many more returns, involving much more auditing in the administration of the law.

Mr. COUZENS. The income-tax returns in those cases are so simple that the auditing is almost inconsequential. It is the large income-tax returns, with the great number of deductions and complications, that make up the cost of administration, and not the returns of the small-salaried individuals or the small income-tax payers. I think the total Treasury Department expenses for the auditing of returns is only some $33,000,000.

Mr. TRAMMELL. I know on some previous occasions when we were considering the income tax there were certain data furnished to indicate that the expenses of administering the provision where the exemptions were reduced from $1,500 to $1,000 in the case of a single person and from $3,000 to $2,500 in the case of a married person would approximate the amount of the additional revenue which the Government would receive. I wondered if the committee had any information as to that. Of course, my personal views are that it would be very unfortunate to reduce the exemptions to the point suggested unless the Government gained a very substantial amount of revenue from lowering the exemptions contained in the present law.

Mr. SMOOT. Mr. President, will the Senator yield?

Mr. TRAMMELL. Perhaps the chairman of the committee can give an explanation.

Mr. SMOOT. I can answer the Senator. The present exemption in the case of a married person is $3,500 and in the case of a single person $1,500. This bill reduces the exemption in the case of a married person to $2,000 and in the case of a single person to $1,000. The additional revenue which it is expected will be received under that change is $40,000,000.

Mr. TRAMMELL. I, of course, did not have any data on that subject.

Mr. SMOOT. That is the estimated additional revenue.

Mr. TRAMMELL. I am surprised to find that it is $40,000,000, however. My position before was, and still is, that we should not impose an income tax upon a person until he has a sufficient amount to give him at least the ordinary comforts and necessities of life. If we exempt only persons having incomes of less than $1,000, I dare say that in the city of Washington and in many of the cities

throughout the country, as well as in small places, a person can scarcely get along on $1,000 a year. Almost all persons, even single persons, have some obligations other than merely the matter of furnishing food and clothing and shelter for themselves.

Mr. COUZENS. But, Mr. President, I submit that this is the alternative of a sales tax. The married person with an income up to $2,000 will have no income tax to pay under this proposal; and certainly those with incomes of over $2,000 per year can afford to pay $30 or $40 to their Government in preference to having adopted the principle of an infamous sales tax.

Mr. TRAMMELL. I am as much against the sales tax as the Senator from Michigan is; but that, of course, does not change my views in regard to the question of imposing an income tax upon a person before he has sufficient of the ordinary comforts and necessities of life.

Mr. COUZENS. If the Senator will suggest a substitute, that is all right. It does not cover the ground merely to oppose a tax. I am looking for a substitute for these taxes other than a sales tax, which is a tax upon consumption. If the Senator has any alternative proposal, all right.

Mr. TRAMMELL. I think I have a record on the sales tax even before the Senator from Michigan came to the Senate, probably. When the matter came up here a good many years ago I was among the few Senators who took a very active part in opposition to the general sales tax proposed by the Senator from Utah [Mr. SMOOT]. The RECORD will disclose that fact; so I have no brief in behalf of the sales-tax idea.

Mr. COUZENS. I was asking the Senator what he would substitute, then, for this income tax. What would the Senator substitute for it?

Mr. TRAMMELL. If it yields $40,000,000 per annum in excess of the cost of administration, I do not know that I have any particular item to offer now.

Mr. COUZENS. It yields $45,000,000 in this particular group of persons with incomes from $1,000 to $2,000 after the exemption; and that is more than the whole cost of administering the Treasury Department.

Mr. TRAMMELL. In other instances it has been contended here that the cost of administering the tax in these smaller brackets, where the exemption was reduced, amounted to almost as much as the income from those particular provisions of the law; and I was seeking information on the subject.

Mr. COUZENS. I desire to say that that is inaccurate because it does not cost more than 50 cents per income.

Mr. TRAMMELL. Not long since I received some data, which I think I have on my desk, to the effect that it cost at least $1.50 for each paper, and that the Government would receive only about that amount, on an average, on incomes between $1,500 and $1,000. Those data were sent to me, of course, by some one who was opposed to cutting the exemptions from $1,500 to $1,000, and from $3,500 to $2,500. I did not know as to the accuracy of the data; but I wanted to get some information upon the subject from the committee.

Personally I think that if we have the alternative of having either to accept this tax or to accept a sales tax, this, of course, is preferable. So far as I am concerned, however, I am not favorable to either one. I am not in favor of making this big reduction in the exemption, nor am I in favor of a general sales tax.

Mr. GEORGE. Mr. President——

Mr. COUZENS. I yield to the Senator from Georgia.

Mr. GEORGE. I wish to ask the Senator from Michigan if I understood him to say that the 1918 schedule of rates, according to his estimate, would produce enough revenue to enable us to eliminate all of the special excise or sales taxes except those on first-class postage, bank checks, and admissions below 45 cents?

Mr. COUZENS. It goes farther than that. When I first made up this table I had included an 18 per cent corporation tax, which would have brought an increase of $112,000,000; but we will eliminate that from this consideration, for the sake of argument. I am not saying that we should eliminate it entirely. We can balance the Budget by adopting these rates and leaving out every single excise or consumption tax. We should be required to put in the postal increases and the admission tax above 45 cents. We should be able practically to accept the Treasury's estimate of increase in revenue by adding the check stamp tax, which was not included in my estimate; and we will assume for argument's sake that the Treasury Department's estimate of income, based on these figures, is more nearly right than Mr. Parker's. Then we could cover that up by the inclusion of the 2-cent stamp tax.

Mr. GEORGE. I thank the Senator.

Mr. LEWIS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Illinois?

Mr. COUZENS. I do.

Mr. LEWIS. Apropos of the income-tax suggested by the Senator as to married men, I am asked by the Senator from Maryland [Mr. TYDINGS] and the Senator from Florida [Mr. TRAMMELL] whether there is anything in the bill that prohibits a bachelor from discussing a married man's income tax without confessing that he has expectations. [Laughter.]

Mr. COUZENS. Not a thing; but we ought to put a prohibition in it.

I have just been reminded of something that I overlooked awhile ago; and I am afraid I have not discussed it in a very orderly way, because I was not prepared. It has been suggested, however, that if we get these rates up to the point shown on this chart, whereby a man with an income of a million dollars net would pay $703,000, or a man with an income of $500,000 net would pay $320,000, or a man with an income of $200,000 net would pay $101,000, or a man with an income of $100,000 would pay $35,000, they would be driven to invest in tax-exempt securities.

That is not evidenced by the experience of the Treasury Department. For example, when the Committee on Finance convened to take up the revenue bill, the committee approved a motion I put to secure the returns of all estates over $3,000,000 of persons dying from September 1, 1928, up until the present year; and the department made a return of the estates that were filed during that period. We did not ask for returns in the case of estates of less than $3,000,000—only for those of $3,000,000 or over. The Treasury Department furnished a list of some 285 names, and the aggregate of these 285 estates—mind you, only those over $3,000,000—was $2,700,172,619.

Mr. NORRIS. For what time? How many years did it cover?

Mr. COUZENS. I am talking about the 285 returns made since September, 1928, of estates over $3,000,000. That is, I did not ask for the estates filed with assets of less than $3,000,000. The assets of the ones that filed estate returns of over $3,000,000 aggregated two billion seven hundred and odd million dollars. Then, after I got those figures, I asked the department to break them up so as to tell me what the assets in these estates were. After getting the name of every decedent, the date of his death, and the State from which he came, I asked them to furnish me with a list of all of the tax-exempt securities in these estates. I asked them, also, to furnish me a list of all other bonds included in the estates, all of the common stocks included in the estates, all of the preferred stocks, and all of the other property included in the estates.

The figures showed that of the total $2,700,000,000 assets of the estates, only $318,249,000 were in tax-exempt securities. Of common stocks there was $1,634,848,000; of other property, $522,000,000; of preferred stocks, $118,000,000; and of other bonds, $105,984,000. So that out of 285 estates filed over that period of time, only about 13 per cent of the assets were in tax-exempt bonds; and it is quite curious to observe that an analysis of these shows that that does not occur in the case of the active business men, but the majority of the cases where there are large amounts of tax-exempt

securities will be found to be the estates of women or widows who have invested their money for security rather than for return.

I am not going to give the names of all of these cases, but I want to point out some of the largest ones.

There was one famous New Yorker who left an estate of approximately $72,000,000, and he had $2,000,000 of tax exempts.

There was another large estate in Massachusetts of $21,000,000 which had $2,000,000 of tax exempts.

There was another large estate in California that aggregated $13,000,000, and it had no tax exempts.

There was another case in New York of a gross estate of $20,000,000 and a fraction, with no tax exempts.

There was another great estate in New York with some $15,000,000 of assets and only $1,000,000 of tax exempts.

Then there was a very famous estate of approximately $122,000,000 with only $20,000,000 of tax exempts.

Then there was another estate of a very famous person of $76,000,000 who had some $15,000,000 of tax exempts.

There is one larger one here that I have not been able to lay my hands on.

Here is one large estate of $135,440,000 with not a single tax exempt.

An analysis of all of the returns showing the investments of these estates indicates that practically all of the tax exempts are in these estates either for the reason that the person had grown old and retired from business or for the reason that the estate was that of a woman who did not wish to take business hazards.

Mr. SMOOT and Mr. WALSH of Montana addressed the Chair.

The PRESIDENT pro tempore. Does the Senator from Michigan yield; and to whom?

Mr. COUZENS. I yield to the Senator from Utah.

Mr. SMOOT. Does not the Senator think, however, that if the 1918 rates were put in force they would go to tax-exempt securities?

Mr. COUZENS. I would like to ask if, during the existence of the high rates of 1918, Mr. George F. Baker sold his First National Bank of New York and took his money and put it into tax exempts? He did not.

Mr. SMOOT. He did not. Of course, he did not sell the bank.

Mr. COUZENS. And a survey of his estate does not show that he invested his earnings from the bank in tax exempts.

Mr. SMOOT. He may have sold his tax exempts after the rates were lowered.

Mr. COUZENS. I ask, did Mr. Andrew Mellon, during all the time of high income-tax rates, sell his Aluminum Co. of America, his Gulf Oil Co., his Standard Steel Car Co., his Mellon National Bank, and his 150 or more corporations, and put his money in tax exempts? He did not.

Mr. SMOOT. I do not think he sold the businesses, but I can not say what he did in the matter of the investment of his income; and that was a great deal.

Mr. COUZENS. That is not important when there are excessive productive facilities.

Mr. WALSH of Montana. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Montana?

Mr. COUZENS. I yield.

Mr. WALSH of Montana. I want to know from the Senator whether he has a record of the aggregate of the estates reported and the aggregate of the tax exempts?

Mr. COUZENS. That is the information I just gave the Senate. I just gave the Senate the aggregate of the estates, $2,700,000,000. That is the aggregate of the 285 estates, and the tax exempts amounted to $315,000,000.

Mr. WALSH of Montana. I happened to be out of the Chamber. Can the Senator tell us what the percentage is?

Mr. COUZENS. I did not figure out percentages, but the tax exempts represented somewhere between 12 and 13 per cent. The great majority of the estates, with assets of some $1,600,000,000, are in common stock.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. CONNALLY. Is it not true that the great bulk of tax-exempt securities are held by insurance companies, fiduciaries, and others, upon which no tax would be derived, regardless of whether they were tax exempt or otherwise?

Mr. COUZENS. That is absolutely true. For instance, a great many of the securities are in charitable trusts, in savings banks, insurance companies, fiduciary institutions, and in widows' trusts, where they do not take the hazards of business, and where they do not pay the normal tax.

Mr. CONNALLY. That is where the tax-exempt securities are, and that is where we would not collect, irrespective of the feature the Senator is discussing, because they pay no surtaxes.

Mr. COUZENS. That is entirely true; and I suggested to the Senator from Pennsylvania, and to other Senators in the Finance Committee, that if we could find any way to tax those securities which are in the hands of individuals, and are not exempt to the same extent as when held by corporations, I would be in favor of doing it. It looks as though there were some decisions in the Supreme Court which suggested that that might be possible. It has also been suggested that we might place an excise tax on the incomes from these securities. But if they are reachable, I would be in favor of reaching them, because there is no justification for anybody, no matter what his investments may be, evading his taxes at this time of depression.

Mr. CONNALLY. Let me say to the Senator that the man who buys a tax-exempt bond pays his tax when he buys the bond.

Mr. COUZENS. That is true, except that he does not pay any Federal tax.

Mr. CONNALLY. But when he ties that into his inheritance or estate it is taxable, because they are subject to a tax.

Mr. COUZENS. Oh, yes.

Mr. CONNALLY. So the Federal Government through that source will get back a large revenue from what are otherwise known as tax-exempt securities.

Mr. COUZENS. That is true.

Mr. CONNALLY. And we raise that rate in this bill to 45 per cent maximum.

Mr. COUZENS. That is not high enough.

Mr. CONNALLY. It is higher than 20 per cent, the rate in the present law.

Mr. COUZENS. Oh, yes.

Mr. KING. Mr. President, will the Senator suffer an interruption?

Mr. COUZENS. I yield.

Mr. KING. I was wondering whether the Senator in the investigations which he has made, the results of which he has just submitted, ascertained whether or not in those large estates, aggregating more than $2,000,000,000, there was any evidence showing that in anticipation of death or for the purpose of evading inheritance or death dues after death the owners of tax-exempt securities got rid of them during their lifetime.

Mr. COUZENS. Oh, no. All I have is the figures, and I want to say that that loophole of transferring estates in anticipation of death has been, I think, substantially plugged up by the gift tax.

Mr. Parker advises me that of all the estates filed, including those I have just mentioned and those below $3,000,000, only 5.65 per cent of all the estates were in tax exempts.

Mr. LONG. Mr. President, before the Senator leaves that point, will he yield?

Mr. COUZENS. I yield.

Mr. LONG. There is just one observation I want to submit to the Senator. I notice he discussed the point that there is not such danger of investments being made in tax-exempt securities. As a matter of fact, does not the Senator think that one of the greatest benefits that could come to the country, particularly at this time, would be the en-

couragement of investments in municipal and State securities, when the municipalities and States can not finance themselves? It would afford a low interest charge, it would enable them to prosecute their public works, and there is no investment to be more encouraged to-day, and that would do the country more good, than the investment in tax exempts.

Mr. COUZENS. I wish it were possible to finance the State institutions without issuing tax exempts, but I admit the principle that the power to tax is the power to destroy. I want to say something in that connection, and I am glad the Senator from Louisiana reminded me of it.

For years and years, I think as far back as perhaps any of us can remember, there has been a philosophy, a practice, in fact, that we should save and save and save, that we should put back our earnings into productive industry, that we must not engage in any State, Federal, or municipal activity, because it diverted money from productive industry. In other words, every time we put a schoolhouse up, every time we built a museum, every time we built a library, every time we built a city hall, every time we built a county building, every time we built a theater, every time we built an office building, it was said that we were putting money into unproductive activities. I think I should exclude office buildings, and perhaps theaters, because, while they do not produce material, they do produce services.

It is quite well established, Mr. President, that we have carried that principle too far. There is absolutely no necessity for plowing back profits into industry, because industry has already expanded far beyond its needs. In other words, if we take the earnings, the surpluses of industry, which we have been taught we should save, and reinvest in industry, if we would discontinue the practice of saving and take the surplus earnings and invest them in what we call nonproductive activities, such as museums, opera houses, libraries, schoolhouses, we would be doing the best possible thing for the future of the country. It would be the best possible thing for industry itself, and it would be the best possible thing for all those who live below the margins of incomes we have just been discussing.

Mr. LONG. Mr. President, will the Senator pardon just one more question?

Mr. COUZENS. I yield.

Mr. LONG. That would make it possible to-day to prosecute flood-control work; it would make possible the employment of many more people, something the Nation needs; it would make it possible to bridge the navigable streams; it would make it possible to build the highways, which activities, instead of being nonproductive enterprises, are enterprises for the production of facilities for the use of every living human in the country.

Mr. COUZENS. Mr. President, one of the things that is said is that the money that is received up in the high brackets must be preserved and kept for productive industry; that these great earnings must be used for capital expansion. Yet, with all of the low brackets, with all the low rates now existing, and with the President issuing a statement last night to the effect that there was plenty of capital, but that it was not available, I submit, Mr. President, that had we taken these taxes from these brackets we are discussing, all through the past years, we would have been just as well off, because we would not have been able to get the money for capital investment, even though we did not take it for taxes.

It is quite obvious that the future policy might just as well be that the Government take these excess earnings, substantially all of these excess earnings, at least those in excess of that which is needed for productive industry, and it is quite evident, from the condition of the productivity of the Nation at this time, that we will not need capital to increase productivity for some decades to come.

A well-known professor from Cornell yesterday, in testifying before the Committee on Banking and Currency, said that, in all probability, if there is a continuance of the conditions under which we operate, the methods and policies we follow, most of us will be in our graves before we will be out of the morass of depression in which the country is now floundering.

I do not say that to throw out any word of despair or pessimism, or anything of that sort. I do recognize the conditions, and I recognize that we are following policies of the greatest folly and performing the greatest economic blunders right at this time.

Mr. WALSH of Montana. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. WALSH of Montana. The argument has been advanced that it is unwise to increase the rates in the higher brackets, because that would dry up the sources of capital by taking the money out of the hands of the people who would conserve it and use it for increased capital for productive enterprise. What is the view of the Senator as to that?

Mr. COUZENS. I was trying to explain that, and I am afraid I did not make myself quite clear. The President said last night that there was plenty of capital. I have been trying to prove that we do not need these excess earnings for productive purposes, and if we do not need them for productive purposes, what is the objection to their going into the activities I have just been discussing, namely, the construction of schoolhouses, colleges, art museums, libraries, and so on?

Mr. WALSH of Montana. I view the matter from a slightly different angle, and I would like to have the view of the Senator with respect to the matter. I think now we get relatively a small amount of productive capital from the great estates of very wealthy people. Capital now is raised, ordinarily, by the issuance of securities that are put on the market and sold to the general public. It was my understanding, at least, that the great bulk of capital for productive enterprise for the last 10 years had come from such sources.

Mr. COUZENS. To a large degree the Senator is right. But each of these great estates of which I have been speaking largely controls some enterprise in itself which perhaps does not go out into the market for money. I do not believe that the First National Bank, for instance, or any of these banks which have been largely controlled by one individual or one family go into the market for money. They usually retain control, and I think that is true of a great many large industries, such as the Ford Motor Co., the Gulf Oil Co., the Aluminum Co., and other industries which are controlled by wealthy families or small groups, and they often do not have to go into the market.

Mr. WALSH of Montana. Let me suggest to the Senator the flotation of utility securities, running up into the billions in the last 10 years. True, such an enterprise is ordinarily promoted by some man of considerable wealth, but he actually gets the capital by the issuance of securities which are sold to the public.

Mr. COUZENS. Yes; but the contention of the Senator from Utah and others is that if we get the rates too high those people who buy such securities will not buy them, but rather will buy municipal securities.

Mr. WALSH of Montana. But the securities are not bought exclusively by people who pay income taxes in the higher brackets.

Mr. COUZENS. But we are talking about all brackets.

Mr. WALSH of Montana. They are bought by the men with incomes of $5,000, $10,000, or $20,000 a year. Latterly they have been peddled from house to house by canvassers and sold to people of small incomes, and in that way a very large amount of the capital, as I understand it, is now produced.

Mr. COUZENS. The Senator is quite correct. Ever since the war, at least, we have never been short of productive capital or of all the capital needed for productive purposes. However, it has been one of the arguments used fallaciously against these rates that if we took too much, if we got the rates too high in the $100,000, $200,000, and $300,000 classes we will not have any money for capital. What an absurdity that has been found to be, after all these years!

Mr. CONNALLY. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Texas?

Mr. COUZENS. I yield.

Mr. CONNALLY. If the investors do buy the tax-free bonds, they have to buy them from somebody and pay the money to somebody, and that releases new money, does it not?

Mr. COUZENS. That is correct. We lay too much stress upon who owns them. It is not who owns them, but what they own. In other words, just as the Senator from Texas said, it does not make much difference whether one person buys or another person sells, whatever the securities may be they are exempt, whether in the hands of the little man or the big man. What I was trying to point out is that there has never been any shortage of capital, and so no matter what rates are fixed there will not be any shortage of money for capital purposes.

Mr. LOGAN. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Kentucky.

Mr. COUZENS. Certainly.

Mr. LOGAN. Is it the opinion of the Senator that there is no shortage of capital now for productive purposes?

Mr. COUZENS. I am absolutely satisfied and can prove, without fear of successful contradiction, that there is a surplus of capital in the country to-day.

Mr. LOGAN. Why then is it not used? Why do we not use it if there is a surplus? Why is there complaint of shortage of money by those who are engaged in productive enterprises?

Mr. COUZENS. I think there is plenty of capital, but it will not move.

Mr. LOGAN. Where is it?

Mr. COUZENS. It is in the banks, mostly.

Mr. LOGAN. Does the Senator think the banks have plenty of capital?

Mr. COUZENS. I think that as the Federal Reserve Board have been buying up as much as $100,000,000 worth of Government bonds weekly for over five weeks, they have put money into the banks far in excess of what the banks have been willing to loan.

Mr. LOGAN. But is it not true that in the last few years there has been an enormous shrinkage of bank credits, and that probably many of the bonds and securities carried by banks at what they paid for them are not at this time worth any considerable part of what they paid for them?

Mr. COUZENS. There is no denying it, but that has nothing to do with what we are discussing. I am discussing capital for investment.

Mr. LOGAN. How does the Senator know the banks have plenty of money? Where does he get the information?

Mr. COUZENS. From the Federal Reserve Board.

Mr. LOGAN. And they get it from the reports of the banks, do they not?

Mr. COUZENS. Certainly.

Mr. LOGAN. Does the Senator know whether the banks have the credits which they report, that the securities which they hold are worth the amount at which they are carried on their books?

Mr. COUZENS. Oh, no; those are two different things. I am contending that the records show there is plenty of cash, plenty to loan for industry. I am not talking about what their investments are worth. That is an entirely different thing.

Mr. LOGAN. How much cash is in the banks at this time?

Mr. COUZENS. I could not give the exact figures, but there are hundreds of millions of dollars that they will not loan.

Mr. LOGAN. There is less than $1,000,000,000 of cash in the banks, is there not?

Mr. COUZENS. But the people can not get it out, no matter what it is, because the banks are afraid to loan it except to concerns that made a very high-class showing of earnings and are still earning some money.

Mr. LOGAN. That goes back to what the junior Senator from Virginia [Mr. GLASS] said, that the chief trouble is fear on the part of the banks that they would lose money if they loaned it. Is that the conclusion of the Senator?

Mr. COUZENS. I think that is the understanding, but why should not a bank hesitate before it loans other people's money to a concern which has not any demand for its products?

Mr. LOGAN. Is it not also true that if we sell bonds to obtain productive capital, as suggested by the Senator from Montana, that the amount of income tax the concern will have to pay will affect very much the price at which the bonds can be sold to the public? The higher the rate of income tax, of course, the lower would be the dividends or interest to the investing public. That certainly would be true, would it not?

Mr. COUZENS. Does the Senator mean the higher the rates of income tax the more industry has to pay for its capital?

Mr. LOGAN. That is what I mean.

Mr. COUZENS. Undoubtedly; that is correct.

Mr. LOGAN. And that would reduce the amount of available capital for productive enterprises. If an enterprise had to pay a higher rate of interest, it would obtain less money.

Mr. COUZENS. Yes; but there is already too much money for capital in industry now. In other words, productive facilities are now greatly in excess of the needs of industry, and that was true even during the so-called prosperous years of 1928 and 1929.

Mr. LOGAN. Is it not true that many of the plants of manufacturing concerns, for instance, have deteriorated, that the organization has gone to pieces during the lean years, and that it will require a vast amount of money to recondition and rehabilitate them? Is not that true?

Mr. COUZENS. Oh no; I do not think there is the slightest foundation for that, because if a business is at all well run, if a factory is at all well run, the management always keep up maintenance, keep their machinery oiled, their fire-fighting facilities in order, and keep up the plants. Of course, as we go on, if the depression should go on year after year, the obsolescence would increase really more than the depreciation would increase.

Mr. LOGAN. The obsolescence is going on, is it not?

Mr. COUZENS. I think that is true, so I am not at all concerned about taking a portion of the present income to tide it over at least during present conditions.

Mr. SMOOT. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Michigan yield to the Senator from Utah?

Mr. COUZENS. I yield.

Mr. SMOOT. If I remember correctly $55,000,000,000 was the high point of deposits in the banks of the United States. The last report issued showed that the amount had shrunk to $46,000,000,000, so there is $9,000,000,000 that has gone somewhere. It is either invested in securities and drawn from the banks, or it has been used for some other purpose, building, and so forth. That is all the difference there is between the high point and the point of deposits to-day, $9,000,000,000.

Mr. COUZENS. I know there are bankers by the dozen who would be delighted to have many of the corporations, now running at 25 to 50 per cent capacity borrow money. There has been a change brought about by the excess-profits tax, by the high income-tax rates and other economic changes since the war, which have persuaded the great industries in many cases to pay less dividends and conserve their cash, so that many industries which used to be great and extensive borrowers from banks are not now borrowers at all. The great commercial banks would be delighted to have an opportunity to loan those industries which are now well financed and running at 25 to 50 per cent capacity.

Mr. WALSH of Montana. Mr. President——

The VICE PRESIDENT. Does the Senator from Michigan yield to the Senator from Montana?

Mr. COUZENS. I yield.

Mr. WALSH of Montana. Apropos of the colloquy which took place between the Senator from Michigan and the Senator from Utah a while ago, I have here a clipping from the Washington Evening Star of March 25, containing a dispatch from New York from which I would like to read, with the Senator's permission.

Mr. COUZENS. I yield for that purpose.

Mr. WALSH of Montana. I read:

NEW YORK, March 25.—There is still a considerable body of American corporations able to show a satisfactory earning capacity during a period of depression. As the complete figures of results for 1931 are prepared and made available for public review, it becomes apparent that in many industrial and public-utility companies there is an astonishing vitality and a prospect for maintenance for some time to come of present dividend payments.

One list that has just been prepared by a prominent banking house includes 85 corporations which showed a higher net revenue last year than in 1930. The total net of these companies in 1931 was approximately $330,000,000, compared with slightly less than $300,000,000 in the year previous. It included about 30 whose shares are listed on the New York Stock Exchange and are actively dealt in from day to day.

I dare say these were the corporations referred to by the Senator, whose rates remain exactly the same as they were in 1929 and 1930 and whose expenses have diminished since that time.

The article continues:

UTILITIES EARNINGS FAIRLY STEADY

The significant feature of this analysis is the gain in net earnings per share over that in what would now be called the fairly prosperous year of 1930. The average net per share of the 85 companies last year was 6.75 per cent. In 1930 it was 5.95 per cent.

There were 10 companies showing earnings on their stocks last year that were not able to reveal any profit remaining to the credit of their stock in the preceding year. An additional gain should be credited to the fact that in a number of instances there were more shares of specific concerns outstanding in 1931 than in 1930, so the comparison is even more favorable than it appears at first glance. In the list there is only one conspicuous railroad which enjoyed more prosperity last year than in 1930. In general it may be said that the best exhibit was by the power and light and telephone companies.

I ask that the remainder of the article may be printed in the RECORD without reading.

The VICE PRESIDENT. Without objection, it is so ordered.

The remainder of the article is as follows:

The review supplements figures revealed earlier in the month by a prominent bank covering the net worth of 900 industrial corporations at the end of 1931. This was based on returns from practically all kinds of manufacturing and distributing organizations, including those that had suffered a severe reaction in their earnings and others that had benefited by the shifting directions of trade. Their total net worth was approximately $18,000,000,000. The remarkable fact was that the net worth of these 900 concerns at the end of last December was only one-half of 1 per cent below that of the same period in 1930.

Many comparisons have been made between conditions in 1921 and in 1931. Some are favorable; others have a reverse trend. In general, however, the statistics indicate the more substantial character of corporation finances to-day than at the height of the last previous panic, and are highly encouraging. The main differences between the two periods in the balance sheets of corporations are in the reduced bonded debt, smaller bank loans, lower inventories, and a much higher proportion of cash and marketable securities in current assets than at any other time in American corporation history. This is reflected in the tenacity with which numerous companies have held to a dividend policy, despite the fact that their earnings have been dropping off month by month for nearly two years.

NET WORKING CAPITAL

A third compilation that has just been published by a New York Stock Exchange firm indicates the contrast in the net working capital of over 30 corporations whose shares are listed on the "big board." A few of them are worth noting. Bethlehem Steel, for instance, at the close of 1931 had a net working capital in excess of $116,000,000, against less than $88,000,000, 10 years previous. General Electric showed $190,000,000, against $151,000,000; General Motors, nearly $319,000,000, compared with less than $96,000,000; International Harvester about $225,000,000, compared with $153,000,000; Liggett & Myers Tobacco Co., $151,000,000, against less than $57,000,000; and Montgomery Ward about $95,000,000, against less than $15,000,000. Woolworth had nearly $53,000,000, against $30,000,000, more than 10 years previous.

Mr. COUZENS. What the Senator has read is in elaboration of what I tried to state a while ago, that it is perfectly absurd to say that we have not any income in the country now, that all income is wiped out, that there are no revenues to be obtained for the Government from income. Such an assertion is either due to ignorance or is made with deliberate intention to mislead.

For example, I have here a statement entitled "Standard Trade and Securities," dated May 11, 1932, day before yesterday, in which are shown the composite income accounts and balance sheet of leading American industrial corporations, 313 of them, on which comparable data are available. I am going to mention the figures only as they appear with relation to current assets. I am not going into capital or fixed assets or anything but current assets.

Taking the number of industries to which I have just referred, which are mentioned in this sheet, the statement shows cash and equivalent in 1929, $2,343,000,000; in 1930, $2,267,000,000; and in 1931, $2,249,000,000. In other words, using 100 as the 1929 basis—in 1929, of course, it was 100—in 1930 it was 97, and in 1931 it was 96, showing how little the variation was in the current cash account.

Then let us take the receivables, which are another quick asset. The receivables in 1929 were $1,782,000,000; in 1930 $1,517,000,000; and in 1931, $1,250,000,000. In other words, the relation of 1930 to 1929 was as 85 to 100, and the relation of 1931 to 1929 was as 70 to 100, showing that even the receivables were being reduced by payment of debts.

While the inventories were substantially reduced, it is the obvious result of decreased production and purchasing. For instance, the relation of 1931 to 1929 inventories, assuming 110 for 1929, shows 75 in 1931 and 90 in 1930.

So, Mr. President, it is not conceivable that anybody can seriously entertain the idea that there is not plenty of income to tax and that it may not be taxed without any burden upon anyone so far as the necessities of life are concerned or so far as the constructive needs of the Nation are concerned. I contend that from this schedule we can raise an additional $400,000,000, that we can take that much more out of the 1932 incomes than the existing rates would provide, and that we can do it without injuring anyone, without injuring productivity, without taxing the poor, and without imposing any consumption tax.

Of course there will be two or three or four million people out of 122,000,000 who will holler like stuck pigs, but they will not be hurt. I contend it is much better to increase the revenue in that way than to try to extract $200,000,000 from people who have to live in a very modest way if not in a really inadequate manner.

Mr. SMOOT. Mr. President, I desire to ask if any other Senator desires to address the Senate this evening?

Mr. HARRISON. Mr. President, the Senator from Massachusetts [Mr. WALSH] had expected to speak.

Mr. SMOOT. The Senator from Massachusetts told me that he desired to proceed this evening, but he is at present out of the Chamber, and I do not know whether or not he spoke to the Senator from Mississippi as to his intentions.

Mr. WALSH of Massachusetts entered the Chamber.

Mr. SMOOT. I see the Senator from Massachusetts is now present.

Mr. WALSH of Massachusetts. Mr. President, the speech of the able Senator from Michigan [Mr. COUZENS] is based upon the theory that we shall depart from all previous programs of levying taxes to raise the revenue necessary to meet the expenditures of the Government. If we are to adopt the policy of meeting the expenditures of the Government by taxes levied upon personal net incomes, upon profits of corporations, and upon gifts and estates taxes, we ought to accept the pending proposition. If we are to limit the taxing field to individual incomes, incomes of corporations, gifts, and estates taxes, the Senator from Michigan has presented an impressive case for the rate schedule he advocates. However, in the tax bill framed in the other House, approved in principle by the Finance Committee and in principle similar to all previous tax bills, we have divided the field of revenue into three parts: First, income taxes, corporation taxes, gift taxes, and estate taxes; the second group, a limited number of manufacturers' sales taxes, excise taxes—whatever name one chooses to call them; third, miscellaneous taxes, such as taxes on theater, athletic, and race-track

admissions, and, as in this bill, taxes on telephone and telegraph messages, check tax, and stamp taxes of various kinds, which are frequently called nuisance taxes.

I repeat, if we are to depart from the method we have followed in the past and are to wipe out all special sales and nuisance taxes, admission taxes, and stamp taxes, we should vote for the proposition of the Senator from Michigan; but before we do that, let us consider what we are doing and analyze the high rates proposed in order to learn where the sweeping increases in taxes are to be levied. Let us see who of the income-tax payers of the Nation are to be burdened by rates that were never before exacted except during the hectic days of the World War. If the Congress pursues the course it has followed in the past of putting the major portion rather than the entire tax burden upon the personal incomes of our citizens, upon corporations, upon estates and gifts, then we must consider what miscellaneous taxes and what sales taxes we should incorporate in the bill in order to make up the deficiency.

In the bill which the House sent to the Senate and in the bill as reported by the Finance Committee there are a large number of sales taxes—taxes on sales of automobiles, tires, tubes, candy, athletic goods, gum, furs, soft drinks, and so forth—so-called miscellaneous taxes, including admissions and stamp taxes.

When the proper time comes—and not until that period of the debate arrives—instead of picking out certain definite particular industries the products of which this bill proposes to levy a high sales tax, and thereby saying to a few industries like the automobile industry, "You shall pay a sales tax of from 4 to 10 per cent," or instead of saying to the child who goes to a moving-picture theater, "You shall pay a tax of 10 per cent upon admission charges in excess of 10 cents," I propose, if we are going to enter into that taxation field, that we treat all industries alike and put a small sales tax upon all of them, with certain exemptions for food and clothing and farm implements—a minimum tax of 1½ per cent or 1 per cent. However, that is not the purpose for which I arose at this time. I desire to discuss the rates in the pending proposal dealing with the net incomes of individuals. The subject of choosing between the two different sales-tax plans, both of which are undesirable, can be discussed later. The bill as it comes to us has the various classified sources for producing revenue to which I have referred.

I will confine my observations now to the proposal made by the Senator from Michigan. It has much merit; but to my mind there is one very serious objection to it, namely, that at one fell swoop it increases by a very high percentage the taxes on the large middle class of taxpayers. Let me recall the present normal-tax rates to the Senate. Under the present law the normal-tax rates are embraced in three brackets which are as follows: 1½ per cent on the first $4,000 of net income in excess of the credits allowed; 3 per cent on the next $4,000; and 5 per cent on the remainder. Keep those rates in mind—1½ per cent, 3 per cent, and 5 per cent. The House retained the same brackets, but made the rates recommended by the Treasury, 2 per cent, 4 per cent, and 7 per cent; increasing the 1½ per cent to 2 per cent, the 3 per cent to 4 per cent, and the 5 per cent to 7 per cent. The proposal of the Senator from Michigan is to make two brackets instead of three and to make the man whose normal-tax rate now is 1½ per cent pay 6 per cent, and to increase the tax rate of a taxpayer whose rate is now 3 per cent or 5 per cent to 12 per cent. A further objection to this proposal is that it wipes out the credits since 1924 extended to earned incomes. This will result in a 33⅓ per cent increase in the tax bill of those who heretofore have had the benefit of the deduction from earned incomes.

Mr. President, the class of taxpayers who must bear this tremendous tax-rate increase is a very large one. Is the large amount of revenue which the Senator from Michigan expects to raise in place of nuisance and admission taxes coming from the multimillionaires? No. It is coming from the increased thousands who will be brought into the taxpaying field by lowering the exemptions of the married man and the single man and by increasing very substantially the normal tax he will have to pay. There is where the money is going to come from under the proposal of the Senator from Michigan. It is not going to come from the few who will fall under the high brackets but from the hundreds of thousands who have incomes of $3,000, $4,000, $5,000, and $6,000. Is this not "soaking" the great middle class?

Let me quote from a prepared table.

HERE IS THE TAX SENATE COMMITTEE AND COUZENS PLAN PROPOSE TO LEVY ON INCOMES

Persons with net incomes of $5,000 will pay more than three times their present tax under rates just agreed to by the Senate Finance Committee. Under the Couzens plan nearly twelve times more.

Under the same Couzens rates persons with $100,000 net will pay a little more than twice their present tax. Those with $1,000,000 net will also pay less than three times as much as now.

The following table, compiled by a Capitol tax expert, shows the individual income taxes levied on various net incomes under the present law, the House bill, and the Senate bill. The taxes computed are for married persons with no dependents, and possessing the maximum amount of earned income allowance. Their present flat $3,500 exemption is reduced to $2,500 in both bills. The table follows:

Net income	Present law	House bill	Senate bill	Couzens proposal
$1,000	0	0	0	0
$2,000	0	0	0	0
$3,000	0	$2.50	$3.75	$60
$4,000	$5.63	20.00	30.00	
$5,000	16.88	37.50	56.25	180
$6,000	28.13	55.00	82.50	
$10,000	101.25	210.00	295.00	830
$20,000	618.75	1,160.00	1,440.00	2,630
$50,000	4,588.75	7,160.00	8,040.00	11,030
$100,000	15,768.75	26,560.00	28,440.00	35,030
$500,000	115,768.75	214,560.00	230,440.00	323,030
$1,000,000	240,768.75	449,560.00	492,940.00	703,030

Do we realize, Mr. President, that, under the proposal of the Senator from Michigan, the tax paid by a citizen with an income of $5,000 is increased twelve times? An income of $10,000 is increased eight times? No multimillionaire's tax is increased twelve times or eight times or anywhere near it. Put briefly, it is a proposal to increase the revenue from income taxes through very sharp increases in the normal taxes of the great middle class.

Now, let us see who compose that class. Who are they? In this city or any other city they are the men or women with net incomes of $4,000. They are the owners of homes worth five or ten or fifteen thousand dollars. They have put their savings into their homes; their homes have been their bank. They are professional men perhaps, or men and women who have small incomes from investments which may have been made—incomes of four thousand, five thousand, or six thousand dollars.

The men and women in this class more than any other taxpayers have been feeling the burden of increased taxation because they have been compelled to meet increased real estate and other taxes in their respective municipalities, because it is from real estate that most of the municipal revenues are derived. They have had their taxes very materially increased because of the increase in local expenditures and in many cases because of increases in welfare demands, and their State taxes have also been largely increased.

It is the class that pay income taxes also in the several States that levy State income taxes; indeed, the class that is spending substantial sums from their income to educate their children, for such expenditures are not exempt.

Much has been said about it being irritating to those of very great wealth to have their taxes increased by the proposal made by the Senator from Michigan. What kind of irritation will it cause to the millions of people with families to support, homes to pay for, and children to educate, having income of four thousand or five or six thousand dollars, to have us vote to levy upon them an increase of six, eight,

ten, and twelve times their present Federal tax through the medium of the pending bill? State and municipal taxes have jumped in recent years, but the Federal Government will outdistance all these increases and take the prize if these proposed rates are adopted.

Let me give the Senate some figures. Under the present law a citizen with a $5,000 net income pays taxes of $16.88. The House bill makes the tax $37.50. The proposal of the Senator from Michigan makes that tax $180—an increase from $16.88 to $180. The Senator from Michigan says that is not much of an increase. The citizen with an income of $3,000 pays nothing to-day, but under this proposal he will pay $60. If the income is $10,000, the tax jumps from $101.25 to $830. On the basis of percentage, however, and if we are to consider irritation of taxpayers, I submit that that man or woman, with his or her little home worth five, ten, or fifteen thousand dollars, with that limited net income, is going to feel very much irritated and very much disturbed. Is it to be wondered at that the small income received is to-day more tax-minded than ever before? It is from him, not the so-called rich, that the new taxes are to be extracted.

In the Committee on Finance I moved an increase from the normal rates over the House rates, but I refused to go to the extreme proposed by the Senator from Michigan [Mr. COUZENS]. I said I could not justify in one fell swoop, in the midst of this awful depression, issuing notice upon this class of taxpayers that their taxes had been increase eight and twelve times over their present taxes.

Mr. LONG. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Louisiana?

Mr. WALSH of Massachusetts. I gladly yield to the Senator from Louisiana.

Mr. LONG. The man who has an income of $5,000 a year, and who would have to pay out $180 in income taxes under this proposal, is not hurt, is he?

Mr. WALSH of Massachusetts. I do not think he is; but I do say that with the additional amount he is obliged to pay because of the increase in municipal taxes, and the additional amount he is obliged to pay because of the increase in State taxes, this increased Federal income tax will not make him very contented, but it will cause him to feel that at a time when he is feeling deeply the depression that exists throughout the land his Government is not very considerate of him.

Mr. LONG. Mr. President, will the Senator yield further?

Mr. WALSH of Massachusetts. Certainly.

Mr. LONG. Does not the Senator think that 95 per cent of the American people to-day would be glad to place themselves in the category where they had an income of $5,000 and had to pay only $180 in income taxes?

Mr. WALSH of Massachusetts. Undoubtedly a large number of our people who have no incomes at all, or very small incomes, would be delighted and happy to have incomes of $5,000, and probably would be glad to pay the tax if that could be brought about; but we are dealing not with theories but with realities, and we are dealing with a class of people who have been paying a tax of $16 on the basis of an income of $5,000. Their taxes will be raised under this proposal to the amount of $180, which it is urged is inconsequential and trivial; and yet, based upon a consideration of what one's tax bill was and what one's tax bill is to be, it is 12 times the present amount. It will be a most unwelcome demand and we should not jump the rate to such an extreme point at this time.

The proposal which was made by me and adopted by the Finance Committee was to increase the normal tax in the first bracket, fixed by the House at 2 per cent, to 3 per cent—not 6 per cent, as proposed by the Senator from Michigan [Mr. COUZENS]; to increase the normal tax in the second bracket, fixed by the House at 4 per cent, to 6 per cent; and to increase the normal tax in the third bracket, fixed by the House at 7 per cent, to 9 per cent. The rates proposed by me were 3, 6, and 9, as against the House rates of 2, 4, and 7 and the proposal of the Senator from Michigan of 6 and 12 per cent.

Under the circumstances that exist in this country, with our people groaning under the awful burdens of exceedingly crushing taxation, with our people tax disturbed as never before, with the worries that the people who have saved a few dollars are encountering and will encounter, it seems to me that this increase proposed by the Senate Finance Committee is about all we ought to impose now.

No one knows what we may be called upon to levy next year; but I think that in the first tax bill we have had to draft since the depression came the rates in the amendment are extreme at this particular time and under these particular circumstances. Let us not increase the gloom and discontent that surround us by such a precipitous act as the adoption of this proposal.

Therefore it seems to me that the recommendation of the Finance Committee—higher than the House rates, much higher than the rates of the present law, in every particular higher than those, but far less, particularly so far as the normal tax is concerned, than the proposals of the Senator from Michigan—under all the circumstances is a reasonable proposal and that it will give more general satisfaction and less disheartenment to our taxpayers.

Let me add that when announcement was made of the increases by the Senate committee from 2 to 3 per cent and from 4 to 6 per cent and from 7 to 9 per cent there was a loud protest throughout this country. It was thought that we were going too far; and yet it is proposed here that we shall make the rate 6 and 12 per cent. I can not go that far. I may have to accept it in the near future; but at the present time it seems to me that the rates recommended by the Finance Committee are reasonable and fair.

AGRICULTURAL RELIEF

Mr. HOWELL. Mr. President, I am pleased, indeed, to know that the Committee on Agriculture and Forestry has reported out a farm bill which will be upon the calendar, I assume, to-morrow, so that we will at least have one measure before the Senate, and before Congress for that matter—because there is no such measure on the Calendar of the House—ready for consideration. I want to assure the chairman of the committee that this action will be most highly appreciated by the agricultural interests of the country.

Mr. President, about 40 miles westward from Omaha, a primary grain market, is Fremont. It is in one of the richest sections of Nebraska. Here is a letter from a conservative citizen of Fremont, in which he states that on the day of writing—May 11—the following prices were prevailing in that city:

Wheat, 40 cents a bushel. Prior to 1915, in March of each year for the five previous years, the price of wheat averaged 88.9 cents a bushel.

Corn, 27 cents a bushel. For the five-year period of 1909–1914, in March, the average price of corn was 61.3 cents—more than twice the price that was being received at Fremont on the day this letter was written.

Oats, 23 cents a bushel. For the month of March, during the 5-year period to which I have referred, oats were 40.3 cents a bushel, as an average.

Eggs, 9 cents per dozen.

Hogs, $2.10 per hundred. Mr. President, the average price of hogs for the five years preceding 1915 was $7.24 per hundred, or more than three times the price being paid May 11 in Fremont.

Continuing, this correspondent says:

> Now, if the farmer gets 20 bushels of wheat per acre, it would make him $8 per acre with a cost to produce same of at least $10 per acre. For his oats, 23 cents per bushel, with a 30-bushel yield, gives him $6.90, costing at least $9 per acre to produce, and so on down the list. Hogs, $2.10—just think how much interest, and from $1 to $2 per acre taxes, the farmer can pay on these prices.
>
> Every time he turns around he is losing money. One of our good farmers living around 4 miles east in this good country came to Fremont to-day to borrow $6,000 on a 200-acre farm and could not get it, when he should be able to borrow at least $10,000 on most favorable terms.
>
> I am just stating to you that if this market keeps up another year, labor can not be employed, merchants can not sell, and everyone will be broke or busted.

Mr. President, I just came from a meeting of the subcommittee of the Banking and Currency Committee, before whom was testifying Prof. Irving Fisher, of Yale, and he stated that the country to-day is—using a nautical term—"in irons." When a sailing vessel comes about, it may hesitate; it may not catch the wind on the other side of its sails, and one can not tell which way it is going. Professor Fisher says that is the situation to-day in this country, and unless prices become better we may have a most serious decline, and no one knows where it might end.

But to continue with this letter:

Why does not Congress do something to ease up this situation? The bears have us and they are digging in their claws, and when they touch the vital spot, then we had all better look out. You can tell the Senate, the people will stand about so much and they will then call a halt.

Better get things fixed up while the people are still in no worse humor, for Washington is the place of fixing things, they have the power and are elected on platforms to do so, but when will they start? We are hoping for the best.

Mr. President, the attitude of the farmer respecting the depression is tending toward a culmination point. The depression has not merely been recent for agriculture. It began in 1921. That year agriculture's relative buying power dropped 25 per cent below equality. During the 11 years terminating with 1931, the decrease in agriculture's relative buying power constituted a 16½ per cent differential against the farmer. Translating this statement into dollars and cents, we find that during that period the total farm income was $19,125,000,000 less than that which would have constituted equality with other industries, or an average of about $1,740,000,000 per annum for the 11 years.

This $1,740,000,000 is the annual amount of the Nation's income, which the farmer should have received but which, because of the tariff and price fixing, legal and illegal, did not reach him, but went into the pockets of others. Had the farmer not been thus mulcted, he would not be here demanding that the distribution of annual income of the country should be changed directly or indirectly by law for his benefit. He is here because of what Congress and others have done and are doing to his disadvantage. He is here pleading merely for equal treatment.

Had he received during the last 11 years, as an annual average, this $1,740,000,000, taken from him unjustly and given to others, he would not have had trouble paying his taxes, because the total of his taxes has averaged about $1,000,000,000 a year. Nor would he have had trouble paying his farm mortgage interest, in addition to paying his taxes, because such interest charges, which he has had to meet, are about $640,000,000 annually. Subtracting these two items from this $1,740,000,000, there remains an annual average of $100,000,000, which he could have used for amortization or other purposes.

But, Mr. President, this differential against the farmer was not 16½ per cent in 1931, but 38 per cent. In short, last year $3,615,000,000 were diverted, not into the farmers' pockets, but unjustly into the pockets of others in this country. The result was a tragedy for agriculture, constituting a situation that should appeal not only to our sense of justice, but to our sympathies.

For more than 5½ months Congress has been in session, but no constructive action to prevent a repetition of such a catastrophy in the future has been taken by either House. True, we have done a little in the way of providing funds and free wheat for the destitute, but that is practically all.

Mr. President, we must apply ourselves to agricultural legislation. This country can not regain its former condition of prosperity with the farmer at the disadvantage which he is suffering to-day, and has suffered for the last 11 years. Something must be done.

Mr. President, are we going to act? We are endeavoring to balance the Budget, but, as important as that is, the rescue of agriculture is of far greater importance, because we will not have to worry about balancing the Budget if agriculture is placed in a position of equality with other industries in this country.

Mr. President, agriculture must be rescued.

Mr. VANDENBERG. Mr. President, the able and indefatigable junior Senator from Nebraska [Mr. HOWELL] is rising in his place each day in a very notable and consecutive effort to remind the Senate of its paramount obligations to agriculture. In this serial habit he is somewhat reminiscent of famous Cato of old in the Roman Senate and his continuous practice of paying his respects to Carthage.

The Senator pertinently reminds us that there has not been until to-day a single constructive proposal upon the calendar of either House or Senate for the benefit of agriculture. I remind him, however, that there is at least one imminent proposal upon the calendar which aims squarely against agriculture, in that it contemplates a specific discriminatory tax against that which has now become a major and indispensable agricultural implement, namely, the motor vehicle. This bill is now before the Senate. So I suggest to the Senator that in mobilizing ourselves in behalf and defense of agriculture we be interested not only in the affirmative program to which the Senator so persistently addresses himself, but that we be equally interested in a sturdy defense of agriculture against these intended inimical invasions of its already depleted pocketbook. Here is something we can do for agriculture at once.

I send to the desk and ask to have read a letter which I have received from the Washington representative of a highly important branch of organized agriculture, and I commend it to those in the Senate who pretend to be the friends of agriculture.

The VICE PRESIDENT. Without objection, the letter will be read.

The legislative clerk read as follows:

WASHINGTON, D. C., *May 12, 1932.*

Hon. ARTHUR H. VANDENBERG,
Senate Office Building.

MY DEAR SENATOR VANDENBERG: Speaking for organized agriculture in the United States, we desire to notify you in this direct and unreserved manner that the farmers of this country are unalterably and unequivocally opposed to any special taxes upon automobiles, trucks, and parts in the pending revenue bill.

Any such special tax is a direct and discriminatory levy upon agriculture. Motor vehicles to-day are indispensable farm implements. They are an integral part of farm equipment. They are an unavoidable necessity of farm life. To single them out for special levy, practically alone among the commodities, is to choose agriculture as a special tax victim at a time when agriculture has a right to expect at least equitable consideration.

We protest this section of the pending tax bill and urge those who sympathize with agriculture to join in its defeat.

Very respectfully,

AMERICAN FARM BUREAU FEDERATION,
CHESTER H. GRAY,
Washington Representative.

Mr. VANDENBERG. Mr. President, this is the uniform expression of the united attitude of organized agriculture and its spokesmanship respecting this contemplated tax upon motor vehicles in the pending revenue bill. Agriculture feels as keenly about this matter as it does about any phase of our responsibility to it. It resents being victimized by special discriminatory taxes. This is but one of many reasons against the proposed motor levies.

I send to the desk another letter bespeaking the attitude of the National Grange, and ask that it be printed in the RECORD. It carries a straight message to those Senators who wish to prove that they are farm-minded. I shall present this whole proposition in all its implications to labor and related industry when this section of the bill is reached next week. At the moment I am content to emphasize the agricultural phase in supplement to the daily appeal by my distinguished colleague.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE NATIONAL GRANGE,
Washington, D. C., May 13, 1932.

Hon. ARTHUR H. VANDENBERG,
Senate Office Building, Washington, D. C.

DEAR SENATOR: The National Grange is in favor of the commendable efforts which are being made to balance the Federal Budget. However, we are strongly against the proposed Federal taxes on automobiles, trucks, and accessories contained in the pending revenue bill.

In our opinion this is a field of taxation which is already well exploited and which should be left to the States. State taxes on

gasoline in 1931 amounted to $524,000,000; license fees totaled $348,000,000, while personal property and municipal taxes on motor vehicles took $150,000,000. This makes a total of $1,022,000,000, or about one-tenth of all taxes paid in the United States, Federal, State, and local. We have expended billions of dollars in building improved highways, and it would be unwise to adopt a policy of taxation that would tend to make it prohibitive to use these highways.

About one-fifth of all the automobiles and trucks in the country are on the farms of the United States. The trucks on our farms alone number more than 900,000. They form a part of the farmer's necessary equipment. They are no more luxuries than freight cars and locomotives are luxuries, yet no one would think of placing a special tax on freight cars and locomotives. In round figures, we have been expending about one billion for highways during recent years. As I have already indicated, special taxes on automobiles reach about the same figure. This shows that there is no truth in the argument that the owners of motor vehicles are not contributing their just share toward the upkeep of our highways.

The proposed levies on motor vehicles contained in the new revenue bill are unjust and highly discriminatory. We are unalterably opposed to the imposition of these proposed taxes.

Yours sincerely,

FRED BRENCKMAN,
Washington Representative.

Mr. HOWELL. Mr. President, I want to say to the able Senator from Michigan that the reason why he is here on the floor now pleading the cause of the automobile industry is because the pleas of agriculture for equality during the last 11 years have not been heeded. Notwithstanding the differential that has persisted against agriculture during all those years, the automotive industry flourished, but finally, when a 38 per cent differential developed against agriculture, then the automotive industry felt the blow, as all have also felt the blow throughout the country.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT, as in executive session, laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received see the end of Senate proceedings.)

REVENUE AND TAXATION

The Senate resumed the consideration of the bill (H. R. 10236) to provide revenue, equalize taxation, and for other purposes.

Mr. SMOOT. Mr. President, I hope the Senate will take a recess to-day until 11 o'clock to-morrow, and I give notice now that beginning on Monday I shall ask that the Senate meet at 11 o'clock and hold night sessions.

Mr. WHEELER. I object.

Mr. SMOOT. I give the notice.

Mr. HARRISON. Mr. President, I am sure that everyone wants to expedite the consideration of the pending measure as fast as possible. I am not going to ask for it now, but I hope that to-morrow the Senator from Utah will try to get some agreement with reference to debate on the pending amendment and other amendments pertaining to the income and surtax sections, because if we do not expedite along those lines and agree to limit ourselves to less than two or three hour speeches we shall be here indefinitely.

RECESS

Mr. McNARY. I move that the Senate take a recess until 11 o'clock to-morrow.

The motion was agreed to; and the Senate (at 4 o'clock and 55 minutes p. m.) took a recess until to-morrow, Saturday, May 14, 1932, at 11 o'clock a. m.

NOMINATIONS

Executive nominations received by the Senate May 13 (legislative day of May 9), 1932

SECRETARY IN THE DIPLOMATIC SERVICE

Morris N. Hughes, of Illinois, now a Foreign Service officer, unclassified, and a vice consul of career, to be also a secretary in the Diplomatic Service of the United States of America.

UNITED STATES ATTORNEY

Anthony Savage, of Washington, to be United States attorney, western district of Washington. He is now serving in this position under an appointment which expires May 29, 1932.

PROMOTIONS IN THE REGULAR ARMY

MEDICAL CORPS

To be lieutenant colonels

Maj. Thomas Ewing Scott, Medical Corps, from May 5, 1932.

Maj. Thomas Everett Harwood, jr., Medical Corps, from May 9, 1932.

Maj. Philip Barry Connolly, Medical Corps, from May 10, 1932.

Maj. Samuel Jay Turnbull, Medical Corps, from May 11, 1932.

HOUSE OF REPRESENTATIVES

FRIDAY, MAY 13, 1932

The House met at 11 o'clock a. m.

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

O Thou Eternal God, our words falter as the shadows of the Nation's sorrow fall and deepen. Yonder home to-day is a world shrine, at whose footstool we tarry. The night winds of sorrow murmur as tears fall and sink on the curls of gold matted and damp. Merciful Father, may the parents be fed no longer with the bread of affliction; do Thou give them rest which the world can nevermore defile. Consider and hear us, O Lord. Ours is national humiliation as we vision the depths of this infamy. Arouse the public conscience that a slight atonement may be made, by smiting murderers and outlaws into the dust. Cleanse the arteries of our whole country, where breed and swarm the filth and crime of our national household. Almighty God, lift us up, let us see, lead us on; hear us, for Thy mercy's sake. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of Wednesday, May 11, 1932, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Craven, its principal clerk, announced that the Senate had agreed to the amendments of the House to the concurrent resolution (S. Con. Res. 27) providing for the correction of an error in the enrollment of Senate bill 3584 relating to insurance corporations in the District of Columbia.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 4576. An act to authorize the Secretary of Commerce to grant an easement for railroad right of way over and upon a portion of the helium gas bearing lands of the United States of America, in Potter County, in the State of Texas; and

S. 4581. An act to extend the times for commencing and completing the construction of a bridge across the St. Clair River at or near Port Huron, Mich.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 6477) entitled "An act to further extend naturalization privileges to alien veterans of the World War residing in the United States," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. HATFIELD, Mr. JOHNSON, and Mr. KING to be the conferees on the part of the Senate.

The message also announced that the Vice President had appointed Mr. METCALF and Mr. COPELAND members of the joint select committee on the part of the Senate as provided for in the act of February 16, 1889, as amended by the act of March 2, 1895, entitled "An act to authorize and provide for the disposition of useless papers in the executive departments," for the disposition of useless papers in the Department of Labor.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one

of his secretaries, who also informed the House that on May 13, 1932, the President approved and signed bills of the House of the following titles:

H. R. 8637. An act to authorize the sale, on competitive bids, of unallotted lands on the Lac du Flambeau Indian Reservation, in Wisconsin, not needed for allotment, tribal, or administrative purposes;

H. R. 9591. An act to extend the period of time during which final proof may be offered by homestead entrymen; and

H. R. 10277. An act to transfer Lincoln County from the Columbia division to the Winchester division of the middle Tennessee judicial district.

PROPAGANDA

Mr. FITZPATRICK. Mr. Speaker, I ask unanimous consent to address the House for two minutes.

Mr. DYER. Mr. Speaker, reserving the right to object, in view of the fact that I think it is generally desired to proceed with the War Department appropriation bill, I shall not object in this instance, but if any other requests are made I shall be compelled to object.

Mr. BYRNS. Mr. Speaker, reserving the right to object, I want to say it is very important to dispose of the War Department appropriation bill. I shall not object to the request of the gentleman from New York, but if these requests become too numerous or consume too much time, I shall be constrained to make objection myself. I think we should get along with this bill and defer remarks until after the bill has been disposed of.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FITZPATRICK. Mr. Speaker, I would like to bring to the attention of the Members the propaganda that is now being conducted by big business throughout the country. Eight or nine days ago President Hoover sent a message to the House criticizing them for not balancing the Budget. Since that time I have received thousands of letters from my district asking me to go along with the President and balance the Budget.

I have made it a practice to answer all letters received, but during the last three or four days I received an average of five or six hundred a day, and I discovered that they contained about the same language.

Yesterday I received a letter with a copy of the Yonkers Record, a daily paper, exposing the method used by the officials of the Otis factory. I hold here in my hand a copy of the Younkers Record of May 10, which you all can see:

Otis factory workers directed to demand action by Congress on Budget and economy. Form letters are given out to be signed. Robert H. Goodwillie makes plea to employees in all departments. Criticism by Hoover of legislators is repeated. Remarks taken to indicate that big business is still behind President.

This paper shows that the employees of the Otis factory were compelled to sign the letters that the company itself prepared and paid for, to be sent to the Representatives in Congress asking them to support President Hoover in his economy plan. If ever there was an attempt to destroy representative government in this country, it is taking place at the present time by big business.

I have heard great speeches made on the floor of the House about communists' activities in this country, but let me say to the Members of the House that the action of the officials of the Otis elevator factory in Yonkers will create more communists in one week than all the communist agitators would create in 10 years.

I want to say this to the Economy Committee: That this whole agitation to balance the Budget by reducing salaries and lowering the standard of living in our country is brought about by big business, and that is why we are getting letters from our constituents, because if they fail to write them they will lose their positions. What a serious condition confronts our country when citizens are compelled to do things against their will. I believe it is the duty of President Hoover to repudiate the actions of the Otis Elevator Co. officials if he believes in representative government. [Applause.]

Mr. LAGUARDIA. Will the gentleman yield?

Mr. FITZPATRICK. I yield.

Mr. LAGUARDIA. Has the gentleman seen these red cards? The stock brokers are paying $3.60 per hundred to send those out.

Mr. FITZPATRICK. I am not informed as to that.

THE BECK-LINTHICUM RESOLUTIONS

Mr. GIBSON. Mr. Speaker, I ask unanimous consent to insert in the RECORD some remarks of my own in regard to Resolution 209.

The SPEAKER. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. GIBSON. Mr. Speaker, the Beck and the Linthicum resolutions are practically identical in wording, as follows:

That the following article is proposed as an amendment to the eighteenth amendment of the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution of the United States when ratified by conventions chosen for that purpose in the several States under the provisions of Article V of the Constitution:

Article XVIII of the Constitution is hereby amended so as to read:

"The Congress shall have power to regulate or to prohibit the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, and the exportation thereof from the United States and all territory subject to the jurisdiction thereof, for beverage purposes: *Provided, however,* That such power shall not be construed or applied to abridge or deny the right of any State to authorize and regulate the manufacture, sale, transportation, or use of such intoxicating liquors wholly within the borders of such State; and such power of regulation or any power of the Congress to regulate interstate and foreign commerce shall not be construed to empower the Congress to authorize the shipment, transportation, or importation into any State of intoxicating liquors for beverage or other purposes, whenever the manufacture, sale, transportation, or use of such liquors has been prohibited by the laws of such State; and any such shipment or importation of intoxicating liquors into such State in violation of its laws is prohibited, and any such shipment or importation shall be subject to the laws of the State upon its arrival therein."

The resolution is set forth that it may be seen just what was proposed.

It has been claimed by newspapers and in propaganda that it provided for a resubmission of the eighteenth amendment with an opportunity to vote on the question, in spite of the fact that no way is now provided for a direct vote. A reading of the resolution will disclose that no attempt was made to secure a vote except through the roundabout controlled-convention system, and that if adopted it would operate to prevent a direct vote for a long time to come and at a period when an increasing number of American citizens are demanding that right.

As a matter of fact the resolution offers only a new eighteenth amendment to go into effect when ratified by conventions and not by votes of the people. Conventions, at their best, seldom follow the will of the voters. They provide machinery for the control of the many by the few. The members are elected and their action is dictated by party bosses and well-financed minorities. The results of constitutional conventions have been disappointing.

The convention system of amending the State constitution was discarded in Vermont more than 60 years ago and the direct-vote plan was substituted.

Another defect is that there is no guaranty against the open saloon so plainly denounced by Mr. LINTHICUM, one of the authors.

The resolutions did not even have the approval of some of the ablest of the opponents of prohibition. One of them, an able lawyer, has pointed out in a document recently made public that the wording of a constitutional amendment is of supreme importance, and then calls attention to the fact that as a whole the resolution leaves with Congress the power to "regulate or to prohibit" liquor traffic and at the same time gives power to each State to "authorize and regulate" such traffic. Authority is divided in an uncertain manner. This division of power would put the question into politics forever.

If under the proposal Congress should assert its right to "regulate and prohibit," we would be in a worse position than now, because all the evils of Federal enforcement would

still remain and be mutiplied by a number equal to the number of dry State borders to be guarded. Stated in the language of this able critic of the eighteenth amendment, the situation would be "confused and bedeviled by the division of power, duty, and responsibility."

Another undesirable situation would be created, for as it is pointed out by this same leader the resolution would by constitutional sanction permit a return of one of the evils of the old order, namely, the flooding of States that preferred to remain dry with shipments of liquor from wet States. The resolution is not even in accord with the views of able men who demand resubmission or modification.

These confusions and shortcomings arise, no doubt, from the fact that the members of the committee drafting the resolutions took the language of recommendation No. 11 of the Wickersham report, added to it a portion of the Raskob proposal, and then embodied the Guthrie suggestion, with certain important omissions, and brought out a production unsatisfactory to many wets and opposed by the drys.

Its adoption would serve to block any direct vote in the near future, leave open the door to all the abuses of the old system, provide an unworkable division of control, result in doubling the cost of enforcement and adding to the tax burdens, permit the continued operations of racketeers and bootleggers, and make necessary an army of enforcement officers. The resolution offered the most unsatisfactory solution of a serious problem that has yet come before the House.

I shall vote against any major proposal dealing with the liquor problem that does not in some way bring about a direct vote by the people of the States in the same manner that amendments to the Constitution of my State are approved. The Federal Constitution should require all its amendments to be so ratified.

I have been on record for 30 years in favor of a full measure of direct control by the people through their votes. I have complete confidence that the voters of Vermont are capable of solving every question submitted to them. They have never failed.

THE LINDBERGH TRAGEDY

Mr. EATON of New Jersey. Mr. Speaker, I ask unanimous consent to address the House for three minutes.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. EATON of New Jersey. Mr. Speaker, I have refrained from any public reference to the Lindbergh tragedy owing to the fact that the family is resident in my home district, and I did not wish to appear even remotely to attach my name to the publicity evoked by the case. I think this House to-day would desire to have some one express the profound feeling of sympathy for this young couple that is stirring every heart here and also to give expression to the question that must agitate every man who loves his country, "What are we to do about it?"

This family is the symbol of all that is holy and best in our Nation and civilization. The father is the son of a noted and honorable Member of this House in days gone by. The little girl is the daughter of a distinguished Senator. In a noble and unique sense they belong to the Nation; and yet the hateful hand of crime has been thrust into that sacred domicile and the little family has been made the victim of the most heinous, contemptible, outrageous crime in our history.

Mr. Speaker, this is a call to every sane American-minded man and woman to find out whether the time is not here that the good people of this country must arouse themselves to stem the accursed, abominable, hell-born flood of crime and lawlessness and pitiless invasion of the rights of decent law-abiding citizens. [Applause.]

We can not face this situation much longer with idle words. We are in need of a fundamental spiritual awakening in this Nation. Goodness is almighty, but we have been asleep. We have here all that is needed to save our beloved Nation from moral collapse. We have the brains. We have the character. Surely we are not ready to admit that there is any band of criminals in the world that can successfully flout the intellectual and spiritual resources of the whole American people?

I would like to have those dear people up there in that mountain home know that every heart in this House and in every home that we represent goes out to them in the profoundest sympathy, in the deepest affection; and that we dedicate ourselves to the task of stemming the accursed flood of greed and violence that has engulfed them.

The SPEAKER. The time of the gentleman from New Jersey has expired.

Mr. UNDERHILL. Mr. Speaker, I ask unanimous consent to address the House for three minutes.

Mr. SPEAKER. Is there objection?

Mr. BYRNS. Mr. Speaker, reserving the right to object, I stated a while ago we would be compelled to go along with this bill. I am not going to object to the request of the gentleman from Massachusetts, but I serve notice now that I will object to any other request that may be made for leave to address the House. We must go along with this appropriation bill and get through with it.

The SPEAKER. Is there objection?

Mr. GILBERT. Mr. Speaker, reserving the right to object, and I shall not object, I heard the gentleman from Tennessee make that same statement just as emphatically and the gentleman from Missouri [Mr. DYER] make a similar statement with equal emphasis a few moments ago. Now, it so happens——

Mr. DYER. Mr. Speaker, I ask for the regular order.

The SPEAKER. The regular order is, Is there objection?

Mr. DYER. Mr. Speaker, I object to the request of the gentleman from Massachusetts.

GEN. ENOCH H. CROWDER

The SPEAKER. The Chair lays before the House the following communication and will state that this communication was sent to the Chair in Spanish. It has been translated by the gentleman from Texas [Mr. KLEBERG], and the Chair is confident it is an accurate translation.

The Clerk read as follows:

Hon. JOHN N. GARNER,
Speaker House of Representatives,
Republic of United States of America,
Washington, D. C.:

The Chamber of Representatives, in the name of the people of Cuba, expresses to the Nation through you, its honorable Representatives, its sincere condolences in the death of Gen. Enoch H. Crowder, illustrious American, a great friend to the Republic, and linked with its political history through most meritorious services.

Dr. RAFAEL GUAS INCLAN,
President Chamber of Representatives,
Republic of Cuba.

WAR DEPARTMENT APPROPRIATION BILL

Mr. COLLINS. 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. 11897) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1933, and for other purposes; and, pending that, I should like to reach an agreement with the gentleman from California [Mr. BARBOUR] that on the first paragraph, under "Pay of the Army," commencing on page 8, line 18, and ending with line 20 on page 12, debate on that provision and all amendments thereto be limited to three hours, the time to be equally divided between the gentleman from California and myself.

I say three hours, because this is the most important provision of the bill, and I think there should be ample discussion, and I have had more requests for time already from men who are prepared to discuss this provision than the one hour and a half that would be under my control.

The SPEAKER. The gentleman from Mississippi moves that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 11897, the War Department appropriation bill; and, pending that, asks unanimous consent that

the committee have general debate to the extent of three hours, one-half to be controlled by himself and one-half by the gentleman from California, on the paragraph beginning on page 8 and ending with line 20, page 12, the debate to be confined to the provisions and amendments thereto.

Mr. BARBOUR. Mr. Speaker, reserving the right to object, I think two hours will be ample to discuss this matter. I will say to the gentleman that I am going to offer a point of order to a large part of this paragraph, and if the point of order is sustained by the Chair, this will eliminate a considerable part of the debate. I want to cooperate with the gentleman, but at the same time I feel we should be making progress with this bill and that we should pass the bill as soon as we possibly can, and for that reason I suggest two hours.

Mr. COLLINS. If the point of order is sustained, of course, I shall not use any time.

Mr. BARBOUR. As there will undoubtedly be some discussion of the point of order, does not the gentleman think that two hours on the provision and the amendments, provided the point of order is overruled, would be sufficient?

Mr. COLLINS. I have requests for more time than that and I do not think we will save any time by unduly limiting debate, and I think we will really save time by providing for debate of one hour and a half to the side, I am frank to say to the gentleman.

Mr. JOHNSON of Washington. May I submit an inquiry?

Mr. BARBOUR. My only interest in the matter is that we proceed with the bill and get the bill passed.

Mr. COLLINS. I am just as anxious to do that as is the gentleman.

Mr. BARBOUR. I know that.

Mr. COLLINS. And I think we will save time by having three hours of debate. If it can be shortened, I shall be delighted to shorten it.

Mr. JOHNSON of Washington. Why not proceed and find out about the point of order. I would like to reserve the right to object so that I may ask a question or two.

Mr. DYER. Mr. Speaker, if the gentleman will yield, the request of the gentleman, as I understood it, was that the debate upon this part of the bill be limited to a certain time and that there be no further debate upon it.

Mr. COLLINS. Yes.

Mr. DYER. That the debate is to be limited to this provision and all amendments thereto and that there will be no further debate.

Mr. COLLINS. Yes.

Mr. DYER. The Speaker did not state that.

The SPEAKER. The Chair will state the request again. The gentleman from Mississippi asks unanimous consent that there be general debate for three hours on the first paragraph of the bill under "Finance Department," from line 18, on page 8, to and including line 20, on page 12, and all amendments thereto, the debate to be confined to the bill, and the time to be controlled one-half by the gentleman from California and one-half by the gentleman from Mississippi. Is there objection?

Mr. BARBOUR. Mr. Speaker, further reserving the right to object, let me make this suggestion. Will the gentleman agree to two hours and a half of debate?

Mr. COLLINS. I should like very much to do that, but I believe we will save time by making it three hours, because the speeches will be made anyway.

Mr. BARBOUR. I can not agree to that.

Mr. DYER. If the gentleman will permit, I do not believe we will save anything unless we can get some agreement that is reasonable, and we will have to go ahead then without any arrangement as to time.

Mr. COLLINS. I am confident we will spend more time than three hours if some arrangement is not made.

Mr. DYER. As one Member, I shall insist upon the rules of the House being observed in committee. We have finished general debate on the bill.

Mr. COLLINS. Well, I will amend the request and ask that it be limited to two hours and a half.

The SPEAKER. The gentleman from Mississippi changes his request and asks that the debate be limited to two hours and a half. Is there objection?

Mr. JOHNSON of Washington. Mr. Speaker, reserving the right to object, I would like to ask the distinguished chairman of the subcommittee if there is any legislation on the appropriation bill in these pages as to which he proposes to limit debate?

Mr. COLLINS. No; not that the rules do not permit.

Mr. JOHNSON of Washington. No legislation whatever?

Mr. BLANTON. None except what comes within the Holman rule.

Mr. JOHNSON of Washington. Let me say that I find in these few pages more "provideds" and "provided furthers" than I have seen in any appropriation bill for a long, long time.

Mr. COLLINS. We are proceeding under the rules of the House, I will say to the gentleman.

Mr. JOHNSON of Washington. We have here a lot of "provided furthers"; and with a limitation on debate, I am afraid that most of the time will be used by the principal members of the Committee on Appropriations——

Mr. COLLINS. No, indeed.

Mr. JOHNSON of Washington. And those who are only members of the Committee of the Whole House on the state of the Union will only be permitted to send some important amendments up to the desk——

Mr. SANDLIN. Regular order, Mr. Speaker.

Mr. JOHNSON of Washington. I object, Mr. Speaker. If the gentleman will withhold his demand for the regular order, I shall not object.

Mr. SANDLIN. Mr. Speaker, I withdraw the demand for the regular order temporarily.

Mr. JOHNSON of Washington. I would like to ask the chairman if those Members who are not members of the Appropriations Committee on the Committee on Military Affairs will have ample opportunity to offer amendments to each or every one of the several "provided furthers" in the appropriation bill?

Mr. COLLINS. I am positive of that.

Mr. JOHNSON of Washington. With that assurance, I will not object, and we will see how we come out.

The SPEAKER. Is there objection?

There was no objection.

The motion of Mr. COLLINS was agreed to.

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

The Clerk read the title of the bill.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

ARMY WAR COLLEGE

For expenses of the Army War College, being for the purchase of the necessary special stationery; textbooks, books of reference, scientific and professional papers, newspapers, and periodicals; maps; police utensils; employment of temporary, technical, or special services, and expenses of special lecturers; for the pay of employees; and for all other absolutely necessary expenses, $71,880.

Mr. STAFFORD. Mr. Chairman, I move to strike out the last word. Mr. Chairman, in the items in the paragraph of the appropriation bill we have so far considered, I notice that there are minor reductions in the budgetary estimate. I ask the attention of the Republican members of the committee whether they joined with the Democratic members in these reductions in the various items? For instance, the item under consideration appropriates $71,880, and the Budget estimate was $81,800, and the committee has recommended a cut of $10,000. Does the gentleman from California regard that as an inordinate cut? In prior paragraphs there are cuts of $10,000 or a little more, and I would like to ascertain the view of the minority Members as to whether they think there has been any drastic cut in these various paragraphs.

Mr. BARBOUR. I will say that this particular paragraph is not a drastic cut.

Mr. STAFFORD. In the prior paragraphs there are cuts of less than 10 per cent, and the gentleman does not think that they will do any harm to the service.

Mr. BARBOUR. The gentleman is grouping a lot of cuts in a lot of items. I think the most of them can be absorbed.

Mr. STAFFORD. I wanted to get the view of the gentleman from California. I have compared them with the appropriations last year and the estimates of the Budget, and I could not see anything drastic in their effect.

Mr. BARBOUR. No; they are made on account of present financial conditions and in an effort to economize where economies can be effected.

Mr. GILBERT. Mr. Chairman, I rise in opposition to the pro forma amendment. Mr. Chairman, we are all in favor of economy to be practiced by some one else and to be effected through the curtailment of activities in which we are not personally interested, but it is rather disconcerting to us who want economies bad enough to take them wherever we can get them to learn that whatever committee recommends an economy, whether the Special Economy Committee or the Committee on Appropriations, however able and experienced its members may be, yet that committee always selects that particular economy which can not be effected, and which, if put in operation, will ultimately result in added expense—it is rather difficult for an unsophisticated mind like my own to grasp how the dropping of 2,000 Army officers from the pay roll is going to increase expense. This statement made by the opponents of this economy, of course, can not be maintained.

The whole public is tired of this hide-and-seek type of economy progress we are making, and the informed public is disgusted with the President of the United States for continually berating Congress in general terms for not effecting economy, and then, when any specific economy is suggested, sending hotfooted his officers, his admirals, his generals, his secretaries, and everybody whom he controls or with whom he has influence en masse to Capitol Hill to defeat that particular proposal.

I am not especially informed upon the details of Army affairs, yet it is well known that we have 5,000 more Army officers than Great Britain provides for the same size standing army.

I shall read the last paragraph of a letter which I have just received from the interior of the United States:

> May I urge upon you to demand that Government annual expenses be immediately reduced by at least $1,000,000,000?
>
> Very truly yours,
>
> J. N. CAMDEN.

That is not from an irresponsible man. That is from an outstanding citizen of Kentucky, one who was elected to and filled with distinction a seat in the United States Senate. Whether or not he had in mind that certain expenses are irreducible I do not know, but I do know that two Senators now occupying seats in the other body and one a member of the Finance Committee agree with him and are insistent that expenses can be cut $1,000,000,000. The statement of the President and others that all but one billion seven hundred millions is fixed expense is, I submit, relative. They are not so fixed that they can not be unfixed. When one gets away from this environment of officeholders, of admirals, generals, and such, he sees the fixedness of expense differently and finds the sentiment of this country is that we must, that it is our imperative and paramount duty to effect sincere, substantial, honest-to-God economies. The enormous cost of government has become intolerable, and the people look to us for relief. I have supported every recommendation for economy, and, disagreeable as it is to dismiss anyone from the position they are conscientiously filling, I shall have to support the recommendation of the committee to drop these 2,000 Army officers whom the committee says are unnecessary.

Mr. JOHNSON of Washington. Mr. Chairman, I move to amend on line 19 by striking out "$71,880" and insert in lieu thereof "$70,000."

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

The Clerk read as follows:

> Amendment offered by Mr. JOHNSON of Washington: Page 7, line 19, strike out "$71,880" and insert "$70,000."

Mr. COLLINS. Mr. Chairman, I accept the amendment.

Mr. JOHNSON of Washington. That will cut out a few newspapers.

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

The amendment was agreed to.

The Clerk read as follows:

> For the purchase of textbooks, books of reference, scientific and professional papers, instruments, and material for instruction; employment of temporary technical, special, and clerical services; and for other necessary expenses of instruction, at the Command and General Staff School, Fort Leavenworth, Kans., $40,000.

Mr. COCHRAN of Missouri. Mr. Chairman, I move to strike out the last word. Members of the House are all receiving some remarkable letters. I have one in particular that relates to this bill. It is written on the stationery of the Kemper Military School, situated at Boonville, Mo., and reads as follows:

> KEMPER MILITARY SCHOOL,
> *Boonville, Mo., May 10, 1932.*
>
> Hon. JOHN J. COCHRAN, *M. C.,*
> *Washington, D. C.*
>
> DEAR MR. COCHRAN: We appreciate very much the courtesy of your answer to our recent telegram about the reduction of the Army personnel. At the risk of taking some of your time which you had rather spend in studying the problems before you, let me risk a few more words to let you know how many people back home feel.
>
> We want economy and lots of it, but we want wise economy.
>
> 1. Forget the bonus. Nobody is entitled to it and nobody but a grafter wants it. We have a lot of silly sentiment about past military services that will bankrupt us in time. Save $2,000,000,000 now and many times as much later.
>
> 2. Slash the appropriations for veterans' hospitals, etc. Most of this is just as silly and unwarranted. Eight hundred million dollars now, and only God knows what it will grow to.
>
> 3. Close the useless posts and navy yards, savings millions of "pork."
>
> 4. Kill or defer appropriations for rivers, saving millions.
>
> 5. Spend a few millions to keep our current national-defense program from ruin. Cutting off 2,000 officers saves only $3,000,000.
>
> Don't be "penny-wise and pound-foolish."
>
> Very sincerely yours,
>
> A. M. HITCH, *Superintendent.*

I wondered why this school was so anxious that the 2,000 officers should be saved. Therefore I called up the War Department, and I asked the War Department if the Government of the United States was assigning any officers to that school and whether the officers were being paid out of the War Department appropriation. I am advised by the War Department this morning that a Col. J. B. Barnes is assigned there and that he receives $600 a month. I am advised further that Capt. Frederick L. Gurlack is also assigned there and that he receives $529 a month. Mr. Chairman, on the letterhead, as will be seen, are the names of eight men, every one of them having a military title. It is a school that, I understand, requires the students to pay for their tuition. Why is it that the Government of the United States should be required to spend in a private school $1,129 a month to teach students for which the school is being paid by the students?

Mr. GIFFORD. Would not these officers be receiving that sum of $1,129 a month, just the same, if they were not assigned to that school?

Mr. COCHRAN of Missouri. These two Army officers are retired, on active duty. More money is paid to men on active duty than those on the retired list.

Mr. GIFFORD. They would be drawing the same amount, would they not?

Mr. COCHRAN of Missouri. They would be retired and would not be receiving that amount of money. I do not want to disturb the national defense; but it seems to me that if this same situation exists all over the country where the War Department is assigned men to duty in military schools and they are being paid out of the appropriation that this Congress makes for the War Department there is an opportunity to economize and to at least do away with those officers and let the school pay the officers that teach the students at the school.

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

Mr. COCHRAN of Missouri. Yes; with pleasure.

Mr. CANNON. Is it not quite an ordinary thing to receive a letter from a writer abusing Congress for not reducing expenditures and then probably in the next mail receive a letter from the same writer urging us to appropriate additional money for some matter in which he is particularly interested?

Mr. COCHRAN of Missouri. I have many such letters in my office, one asking for economies and the other asking for appropriations.

Mr. FULBRIGHT. And is it not also a fact that there are a great many of these Regular Army officers who are now on the retired list drawing pay to the extent of as much as $600 a month and salary for that much or more from the Federal Government?

Mr. COCHRAN of Missouri. My colleague is entirely right. There are many retired officers who, upon being retired, immediately secure another position. You asked in the economy bill to deprive a veteran who had an income of $1,500 a year, if he was single, from any benefits under the veterans' act. Why was not such a provision suggested if a retired officer had an income of, say $3,500, that his retired pay should be limited?

I have replied to the writer of the letter I just read advising the gentleman that I would not vote to close up hospitals where men wounded in line of duty and who suffered from disease in line of duty, as well as other veterans, are being treated. I have told him that, in my opinion, the private who seeks the bonus is not a grafter, but that privates who served during the World War were as honest as officers. He has been informed that the President has the power to close up Army posts and navy yards, if he comes to the conclusion they are not needed. Further, I told him I would continue to vote for river and harbor improvements as well as for flood control work.

Information comes to me from a most reliable source that one of the officers on active duty at this school receiving money from the Public Treasury owns one-third of the school and benefits from its profits. If I am in error I wish one of my colleagues would correct me, as I desire to do no one an injustice.

I say, Mr. Chairman, and I call this to the attention of the subcommittee in charge of the bill, there should be a proviso on this bill that will prevent the War Department from assigning paid officers to private schools. There is an opportunity to economize.

The President urges us to cut—cut to the bone—and here, when the committee suggests a cut, we find the Republican side of the House also unanimous against the recommendation. We find the Secretary of War in opposition, and we find in the papers a statement where General Brown is quoted as having said that he would submit to the President a plan to reduce flood-control work $3,500,000; and the lower Mississippi River improvement work would also be curtailed. Further he would reduce other projects $6,500,000. I say the Congress writes the laws and the Secretary of War and and Chief of Engineers are appointed to administer the laws—not to dictate to the Congress what should be done.

Again I say, I do not want to cripple our national defense, but I feel there is plenty of room for savings in this bill without injuring the national defense.

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

Mr. JOHNSON of Washington. Mr. Chairman, I rise in opposition to the pro forma amendment.

I am in opposition to the amendment for the purpose of decreasing this bill, in the limited time I shall take, because as we get down to the question of whether there is legislation in this appropriation bill which, under the rules set up under the Budget system, is not supposed to be there we are likely to have small opportunity for discussion of what is really in the long-involved paragraph which cuts down the Army of the United States.

I would not impugn the motives of any Member, particularly the chairman of this Appropriations Subcommittee, the gentleman from Mississippi [Mr. COLLINS], a hard-working, conscientious, and studious man. He has called the attention of all Members by personal letter to a speech made by him, in which he lays down some modern proposals as to war—machine war. I disagree with many of the gentleman's proposals and desire to say that from the gentleman's own State of Mississippi there came to the front in the War between the States, 1861 to 1865, a private soldier who developed so rapidly in skill and tactics that he became a general—a man almost illiterate. That man probably worked more physical punishment on the northern army than any other one man individually, and, with the aid of his troops, he played tremendous havoc. He was Gen. Nathan B. Forrest; and when he was asked to what he attributed his success in these combats which he had with the northern armies and was asked for his tactics he said, "The answer is simple—get there firstest with the mostest men."

Mr. RANKIN. Will the gentleman yield?

Mr. JOHNSON of Washington. I yield.

Mr. RANKIN. I just want to say that General Forrest's statement in answer to General Morgan was: "I took a short cut and got there first with the most men." The expression which the gentleman used is slang that has been attributed to General Forrest, who never made use of it.

Mr. JOHNSON of Washington. Well, whether he said it or not, it is effective just the same, "Get there firstest with the mostest men."

Now, it is impossible to have the men just get there, without training and without leaders, and General Forrest, of Mississippi, was a natural leader. Had he been trained to work with other leaders his fame would have been much greater.

Now, then, Mr. Chairman, we need the officers we have because they are a part of a coordinated system for national defense. A part of that system contemplates the training of officers, and training them particularly as to the division plan of army formation, army direction, and army management. That is where we were weak when we entered the World War.

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

Mr. JOHNSON of Washington. I yield.

Mr. BANKHEAD. General Forrest's statement did not say "Get there firstest with the most officers," did it?

Mr. JOHNSON of Washington. Oh, General Forrest was an officer and the equal of several officers, and had he had the education and training he would not have fallen into such a quarrel with General Bragg and with other chief officers of the Confederacy and probably would have been ranked with the most distinguished generals of both Armies of that intense period. But I do not desire that a discussion of those days shall take too much of the time that I want to use for explaining the need for a proper Army in these days.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. JOHNSON of Washington. I yield.

Mr. OLIVER of Alabama. I am sure the gentleman has carefully read the statement of the gentleman from Mississippi [Mr. COLLINS]; and if so, I think he is bound to draw therefrom this conclusion, that the purpose of the gentleman from Mississippi in giving that information to the House was prompted by the hope that more thought and consideration should be given to placing proper and modern equipment in the hands of our Army so that it can "get there first."

Mr. JOHNSON of Washington. I realize that; but I am sure that the finest equipment is reduced in value without skilled, trained officers as well as brave men who know that their officers are thoroughly proficient.

Now, Mr. Chairman, a great many citizens have begun at last to give considerable study to the increase of subservient influences against this Government and are learning how

all of these influences are binding themselves together. You will be surprised to know that I have been receiving resolutions from organizations as far away as the extreme Pacific Northwest, indorsing certain paragraphs in this bill as marked up by the gentleman from Mississippi, which paragraphs, in my opinion, greatly damage our Army, which is a small army, not a large one. These resolutions indorse the gentleman from Mississippi [Mr. COLLINS] in name personally. The writers of these resolutions have had advance information, for I have received them dated as far back as the 1st of March, coming to me from that long distance, at a time when this bill was in the ice box, with the membership assumed not to know exactly what was in it.

I have in my hand a report of a meeting held only last week in a neighboring State, attended by some of these more polite pacifists——

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

Mr. JOHNSON of Washington. Mr. Chairman, I ask unanimous consent to proceed for five additional minutes.

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

Mr. DYER. Mr. Chairman, I regret exceedingly, but as best I can, I shall insist upon the debate following the rules now, and I shall object and make the point of order that debate upon the amendment is exhausted.

Mr. JOHNSON of Washington. Mr. Chairman, I offer an amendment, on page 8, line 3, to strike out "$40,000" and insert "$39,000."

The Clerk read as follows:

Amendment offered by Mr. JOHNSON of Washington: Page 8, line 3, strike out "$40,000" and insert "$39,000."

Mr. COLLINS. Mr. Chairman, I accept the amendment.

Mr. BARBOUR. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. Does the gentleman from Washington wish to be heard on the amendment?

Mr. JOHNSON of Washington. I do, Mr. Chairman.

That is a small cut. It would be better to make a cut here that might affect the purchase of books of reference, scientific and professional papers, and so on, than to make a cut in places where it will affect the personnel of this Army of ours, which is small anyway for a population of 123,000,000 people, particularly when I can show, if I have the time, that there is an organized and well-understood movement against this Government. In that movement are organizations of high and low degree. It reaches up to those with very polite and well-meaning aims. But even these polite ones say the trimming of our Army, its officers and forces, is part of a great class struggle bound to come, they claim. They want our military forces weakened. I have it here in writing, made by ministers at this meeting. Perhaps we do not see the signs of the times.

Perhaps some of us who would like to cut down the Army from the standpoint of expense, possibly, can not see the forces working both here and abroad to weaken this Army, cut out its discipline, cut out its leaders, and leave us a still smaller Army than we should have in a country the size of the United States. I assure you, my colleagues, that no nation can afford to be without some force if it intends to maintain itself as a sovereignty. That force, in a great Nation like the United States, can be implied for awhile; we can go along for a little while on momentum, because we are great and powerful; but every nation that intends to act with dignity and maintain its position must have force, represented by an army and a navy, which may never even be used for the purposes of force. It is kept as a guaranty. I submit that in this great country we must maintain a trained Army. The Army learned something during the World War. It learned how inefficient it was in cooperation and how weak in the training of its officers—except a few. We need a decent, well-officered Army for the fourth most populated Nation in the world—a Nation envied by so many others.

We are in a position where we are not seriously threatened with foreign invasion. We are separated by the seas, and with friendly nations to the north and to the south, so that we are in a position to promote advanced ideas and even peace, if we do not permit our foundations weakened and gnawed at by those who exist in high positions and who permit themselves to be the tools, if I may use the word, of those with more ulterior motives.

I ask each one of you to ponder carefully before you come to the point of stripping our already small but efficient Army. And, finally, remember that no body of men, no matter how patriotic, as we know our soldiers to be, can be as efficient as we want them to be if they are not maintained at a proper number and do not have the proper leaders. We want them to be efficient not only in time of war but in time of fire, storm, distress, or possible riots. Our small Army is scattered throughout all of our States and outlying possessions. It is not always a war machine. It does much of a civil nature. It may even be necessary this coming winter, together with its barracks, tents, food, supplies, and organization, to help take care of the unemployed. In fact, I wish we had some way right now to enlarge our citizens' training camps so that we could open tents and barracks to a large number of the unemployed this very summer to keep them from walking the long, weary roads, to feed them, encourage them, until the employment situation can be righted.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. JOHNSON of Washington. Yes.

Mr. OLIVER of Alabama. I assume the gentleman has made a very microscopic examination of this bill and has submitted amendments embodying all of the savings he thinks can be effected.

Mr. JOHNSON of Washington. Oh, not microscropic, but I welcome the opportunity to say that I voted all the way along with the Economy Committee except on one minor matter and on the question of the consolidation of the Army and the Navy, which I thought to be a mistake, and offered to the House without sufficient consideration. I would again vote against that consolidation if it came up. I am not a member of the Appropriations Committee. I hope the gentleman from Alamaba will not attempt to divert me further in my effort to speak on a most serious subject. I do not intend to bother the committee much further with small amendments. I had to take this opportunity to state my earnest convictions which have come as a result of a great deal of study, not on the particular dollars and cents paragraphs of this bill, but on world conditions and the dangers which may reach the United States.

Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection?

Mr. BYRNS. Mr. Chairman, reserving the right to object, the gentleman's amendment involves a reduction in appropriations.

Mr. JOHNSON of Washington. Of $1,000.

Mr. BYRNS. For the purchase of textbooks. I want to ask the gentleman if he understood the chairman of the subcommittee who has this bill in charge to say he was entirely willing to accept this amendment, which means a reduction?

Mr. JOHNSON of Washington. Then I shall not withdraw it. I am willing to see $1,000 taken off at this particular place, but I hope the membership may be fully informed by the time we reach the paragraphs that are so serious and so hurtful in the damage that they will do.

Mr. BARBOUR. Mr. Chairman, I rise in opposition to the amendment. I simply want to say that the committee went over these items and considered them very carefully. After the Budget had reduced them very substantially below last year the committee again went over them and we all agreed that this was the least with which this school could get along. I think if the Committee of the Whole understands the situation in that way it will vote down this amendment, and it should be voted down.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. BARBOUR. I yield.

Mr. OLIVER of Alabama. The gentleman from Washington seems to have concluded from his study of the life of

General Forrest that since he had no college education you should not buy books for the officers of the present Army.

Mr. BARBOUR. I did not hear the gentleman. Were the gentleman's remarks directed to me or to the gentleman from Washington?

Mr. GIFFORD. Will the gentleman yield to me?

Mr. BARBOUR. Yes.

Mr. GIFFORD. I would like the gentleman to make it clear to us that the gentleman from Missouri [Mr. COCHRAN] was mistaken in his remarks, when he stated it cost $1,129 to maintain an officer in that particular school.

I would like to have the gentleman from California make it plain that it does not cost $1,129, because if these gentlemen are retired we would only save one-fourth of it. I did not like to have it appear that we paid $1,129 for these officers for teaching in this particular school, because if they were retired the Government would have to pay them three-fourths of their pay. Is not that true?

Mr. BARBOUR. The Government would pay, under this bill, if they were retired, three-fourths of their base pay and longevity pay. Just what that would amount to I can not state, because it varies in the case of different officers and I do not know in just what pay grades these men are, but they would receive, under the provisions of this bill, three-fourths of their base pay and their longevity pay, whatever that amounts to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington [Mr. JOHNSON].

The amendment was rejected.

Mr. FRENCH. Mr. Chairman, I move to strike out the last two words.

WE MUST REDUCE THE EXPENSES OF GOVERNMENT

Mr. Chairman, I have preferred to make a few observations upon a paragraph that will not draw particular fire, for the reason that I want to direct attention more particularly to what I believe ought to be the attitude of the Congress toward this appropriation bill and appropriation bills in general rather than to a specific item.

Members of the Congress at this time are being flooded with telegrams and letters upon various items in the pending bill, just as we have been flooded with letters and telegrams upon every appropriation bill that has been reported by the Appropriations Committee. There has been not one exception. We are told that the individual items can not be reduced.

I am not upon the particular subcommittee that prepared the pending bill, but I do know the months of study and the infinite care that members of the subcommittee have given to this particular subject.

I have in my hand a letter that has been sent to me, as I assume it has been sent to all the Members of the Congress from the Ohio Chamber of Commerce. It is an appeal to the Congress for a reduction of national expenditures. The letter reads in part as follows:

> The Ohio Chamber of Commerce views with consternation the attitude of Congress toward public expenditures at this grave crisis in the Nation's history. Among our members are the largest employers of labor in Ohio—manufacturers, railroads, bankers, merchants, farmers, utilities, and professional men.
>
> Idle men walk our streets. Unused cars rest upon the sidings. Incoming mails bring no orders.
>
> Ohio business has done its best to meet the situation. We have staggered employment. We have cut salaries and wages and passed dividends. We have introduced man-a-block campaigns for giving home work to the jobless. We have dug down in our pockets for community funds. We have privately helped our relatives and friends. We have paid extra taxes for local relief. We have drawn upon our dwindling reserves and exhausted our credit. We are reaching the end of the passage!
>
> In the meantime, a balanced Budget, which is the basis of the Nation's credit, recedes from view like a mirage.
>
> Everyone knows what the trouble is: Our servants have become our masters!
>
> Ohio business appeals to you to forget parties, to forget blocs within parties, to turn a deaf ear to the manufactured clamor of special groups, and to think only at this solemn hour in terms of the whole people of our common country!

The foregoing message is similar to that contained in a multitude of letters that are coming to my desk. Here is one from the National Retail Hardware Association which says:

> The welfare of the country as a whole is of much more importance than the self-interest of areas and groups.

Here is another from an outstanding citizen of Idaho, which says:

> I hope every bill increasing taxes will be defeated. To my mind the whole thing is incredible, that any business the size of our National Government could possibly expect to balance its Budget by increasing its profits instead of reducing its expenses.

Many farmers in the State that I have the honor in part to represent have not made enough money during the last year to pay their interest and their taxes; business men write me that they are drawing upon their dwindling reserves and are exhausting their credit; workmen write me that for months they have had no employment at all or else not more than two or three days' employment per week.

Everyone knows what the trouble is. Members want to reduce but at every turn they are met by selfish cliques and groups, special interests, and special areas, all insisting that exceptions must be made in their special cases.

I remember when I was a boy in the public schools, about 1891, a speech was made by the then Speaker of the House of Representatives, the Hon. Thomas B. Reed, in which he said, partly in apology for mounting expenditures and partly in pride, I believe, for our expanding Nation: "This country has come to be a billion-dollar country." And why? "Because," he said, "we have now reached the time, the first in American history, when in days of peace it is costing $1,000,000,000 to bear the national expenses for a period of two years."

In 1913, the year before the beginning of the World War, if the Speaker of the House of Representatives had measured the greatness of our country by the length of time it would have taken to expend $1,000,000,000, he would have said: "Ours is a billion-dollar country because we have become so great that in days of peace it costs $1,000,000,000 to run our Government, not for a period of two years but for a period of one year."

If the present Speaker of the House were to come before this Chamber and say that we are a billion-dollar country, measuring the worth of our country by the time consumed in expending $1,000,000,000, he would say, "We are a billion-dollar nation in 1932 because it costs $1,000,000,000 to bear the expenses of our Government for 90 days." And what has gone on in our Federal Government has gone on in our State and county governments.

In 1913 it cost us $2,900,000,000 to run the Federal, the State, and the county governments. Last year it cost us $13,000,000,000 to run these different activities, or a grand expenditure of slightly more than $1,000,000,000 for every month in the year. Of this amount, the Federal Government has the responsibility of approximately one-third.

Every time an appropriation bill is brought in here with reduced amounts for the different items, immediately the Members of the Congress are flooded with petitions and letters and resolutions denouncing the Congress for proposing reduction of the specific items and then demanding that the sum total be reduced. It is a monstrous thought that you can hold the items to the level of what they have been and reduce the sum total. It is the sum total that represents the combined items in the bills.

This year it looks as though the expenditures of the Federal Government would be $4,482,000,000. It looks as though the national revenues would be not more than $2,200,000,000, or, in other words, that it will cost us $2,282,000,000 more to run our Government than we shall receive by way of income. More than that, in spite of the efforts that we are making to balance the Budget, it seems altogether doubtful that we shall be able to provide revenues for next year adequate to meet the expenditures of government.

When we are face to face with a proposed increase of expenditure, we must remember that in all probability it will require a bond issue to meet the increase in appropriation. If that be true, then we ought to ask ourselves the question

whether or not the item is of such importance that it justifies the issue of bonds by the United States in order to meet the expenditures that would be incurred?

The fight that is now being made to prevent reductions in items in the War Department appropriation bill is not different from the fight that was made against the individual items of all the other appropriation bills that have gone before.

Let us refresh our minds by turning back to just a few of the supply bills. Suppose we begin with the bill carrying appropriations for the District of Columbia. The Appropriations Committee sought in every way to meet the rightful needs of the District, but at the same time endeavored to bring about economies. Here is an illustration of how local self-interest can obliterate the national point of view. In the city of Washington are a number of splendid daily papers. They are alive to public questions. They are berating Congress for extravagance; they are demanding in editorial after editorial reduction of the National Budget. But what was the attitude of these same agencies for the expression of public opinion of the District when it came to District items? Not one of the papers published in the District of Columbia was in sympathy with the work of the committee. They were in favor of reduction of national expenditures, but they wanted the axe to fall some place else. If the committee thought economies could be made by making reductions for the improvement of streets, the voice of the District protested against the reduction. If the Congress proposed the deferment of the construction of a bridge, the voice of the District declared that this great work must not be postponed. If the committee proposed economies in relief work for the District of Columbia and suggested that this work be cared for by private gifts, as is done so largely in other cities, we were told that it was inhuman, that no reduction must be made here.

If reductions were proposed that would fall upon pay rolls within the District, the voice of the District was loud in protest.

Indeed, I challenge the Members of this Congress to find a newspaper in the city of Washington that was agreeable to the reduction of amount of appropriation or to the postponement of a single item of any importance touching the city of Washington or the District of Columbia.

The attitude to which voice is given by the newspapers of Washington is not peculiar to this city, but is the attitude of communities and groups of individuals and organizations throughout the United States when any appropriation bill is reported from the committee that trenches upon their activities.

Specious and apparently sound reasons can be found for standing against reductions. If the Appropriations Committee proposes to reduce amounts for scientific work, for experimental investigations, the hands of those who are affected are raised against it. The Congress is urged to override the committee because the members of the committee "have no vision."

If the Appropriations Committee proposes reduction of appropriation for public buildings or other Federal improvements, we are told by Members of Congress and by those who will be affected that we are antagonistic to labor. If we propose a restudy of the moneys appropriated under the head of veterans' establishments, notwithstanding the fact that every member of the committee is in favor of providing every adequate need for the victims of the World War and other wars and their needy dependents, we are told that these items must not be disturbed because to do so would suggest disloyalty.

If the committee proposes moderation in naval expenditures, navy yards are at once aroused, interested groups are at once in action, and members of the committee are accused of being unpatriotic and, indeed, of representing the people of foreign lands instead of the people of the United States, notwithstanding the fact that any member of the committee would gladly sacrifice his life for his country.

The immediate bill that has been brought before you for your consideration carries more than $386,000,000 for the War Department, of which more than $281,000,000 is for military activities Yet during general debate the committee has been under the constant fire of a multitude of groups and individuals who are demanding greater and still greater appropriations

I am not a member of the subcommittee that has reported the bill, but my appeal now is to the Members of the Congress to consider the items of the bill in the light of the real needs of our country, to consider the items in the bill not from the standpoint of personal friendship, not from the standpoint of localities to be served, or groups to be benefited, but alone from that greater, that broader standpoint, the national needs that every citizen of the Republic will make every sacrifice to sustain

[Here the gavel fell.]

Mr. FRENCH. Mr. Chairman, I ask unanimous consent to proceed for five minutes more.

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

There was no objection.

Mr. PARSONS. Will the gentleman yield?

Mr. FRENCH. I yield.

Mr. PARSONS. I agree with the gentleman 100 per cent. But in addition, is it not true that the Cabinet and employees at the White House have been up here lobbying against reductions of appropriations?

Mr. FRENCH. I do not doubt that heads of departments are peculiarly impressed with the activities they represent. But we must look at the whole picture. The President is right when he says that the lobbyists are in Washington as thick as locusts. We meet them in the hallways. They mill through our offices, and they pack our galleries. They enlist the cooperation of groups at home who do not consult the people, but nevertheless pretend to give expression to what they say the people demand. They flood us with letters and telegrams which, if we heeded, would result in greater appropriations and not less. I am told that the cost of telegrams alone received by Members of Congress for days at a time would aggregate $10,000 a day.

The Members of this Congress must not permit the selfish demands of individuals and groups, who are asking for larger and still larger appropriations to blind them to the importance of scaling down the budgets that we are called upon to meet.

No one can view the present conditions either within our own country or abroad without being impressed that the essential thing that confronts this world of ours is a by-product, an immediate by-product of the World War. Ten million men can not sacrifice their lives without producing consequences of incalculable importance upon world affairs. Nations can not squander their wealth and expect when the debauch is over to be as strong as they were before. The hysteria, the madness, the poverty, the unrest that pervade our country and that pervade all countries of the world are the immediate results of the World War.

The unrest that exists in France can not be charged to the great President of the French Republic who last week paid with his life at the assassin's hand. The unhappiness that exists in Germany can not be chargeable to President von Hindenburg. The misfortune of Great Britain can not be brought to the door of Prime Minister MacDonald or of Stanley Baldwin; the plight of Russia goes farther back than soviet rule; and the misfortunes that rest upon the people of the United States can not be brought to the feet of President Hoover any more than can the World War be chargeable to the late President Wilson.

It is the responsibility of thoughtful people, of thoughtful Members of this Chamber to rise above the narrow demands of party advantage in seeking the welfare of our great land.

Mr. Chairman, I was a Member of the war Congress, and I recall the spirit of that Congress that seemed to be almost heroic. It was the spirit that pervaded America; it was the spirit that pervaded the officers and the men of the Army and the Navy who fought upon land and sea.

Two incidents occurred within this Chamber that I want to call to the attention of the Members at this moment—incidents that portrayed the sublime spirit of heroism and of courage that ought to be here now.

Just before the resolution was passed in which was recognized a state of war between the United States and the Imperial Government of Germany, that gifted and beloved leader of the Democratic side of this Chamber, standing upon the spot where I now stand, told the House that he could not support the resolution. It was an hour that tested the souls of men. Claude Kitchin stood opposed to the President of the United States. He was not in sympathy with the will of the majority of the Members of Congress; he stood against the unquestioned public opinion of the country at the time, and these were his words:

> Profoundly impressed with the gravity of the situation, appreciating to the fullest the penalties which a war-mad moment will impose, my conscience and judgment, after mature thought and fervent prayer for rightful guidance have marked out clearly the path of my duty, and I have made up my mind to walk it, if I go barefooted and alone.

I recall the hush that fell upon this Chamber.

And then a few weeks later I remember another day when courage of high order was demanded. The chairman of the Military Affairs Committee found it impossible to follow President Wilson or the wishes of the majority party in the House upon the question of a selective service law. Telegrams and letters and petitions were flooding the Members of this Chamber, as the urge was made that we leave the Army to the voluntary wish of individual citizens of the Republic. Leadership upon the defense bill passed from the Democratic side to the Republican side of this body, and I remember that remarkable patriot and warrior, Julius Kahn, as he urged with all the fervor of his being the adoption of a selective service law, and I remember the substance of his appeal, if not his direct language, when he uttered the thought, "My own service in this Congress is nothing; my life itself is nothing; the life of my country, that flag—they are everything."

In conclusion, if I could make an appeal in this hour that if realized would carry dignity of highest order to the conduct of this Chamber and that would inspire the citizenship of America as little else can do, it would be that the spirit of these men, the courage of these men, pervade the hearts of the Members of this body, regardless of party, and that they forget the petty, the local, the personal, and think rather of our responsibilities in the larger aspect and dimensions of this great country that we seek to serve. [Applause.]

Mr. BEEDY. Mr. Chairman, I rise in opposition to the amendment. Mr. Chairman, I think while we are considering this Army appropriation bill that every Member of this House will welcome the opportunity, which, it seems to me, is now favorably presented, to get some views to the people of this country about the attitude of this Congress on what we actually seek to accomplish. It is the unqualified desire of this Congress, as it is the unquestionable desire of the whole country, to cut the expenses of the Government, and to that extent reduce the necessity of increasing taxes. The thing the people do not understand, as is evidenced in the barrage of letters which they are now showering on us, is that two-thirds of the $4,000,000,000, approximately, which we expend each year are fixed charges, and that this Congress can not curtail those charges without becoming a party to the repudiation of obligations legally incurred by the Government. The public very evidently does not understand that only as to the remaining one-third, approximately $1,600,000,000 or $1,700,000,000, can the Congress curtail disbursements.

What are the facts? What has this Congress done? So far as this House is concerned, the appropriation bills for the fiscal year of 1933, which it has just passed, have cut the appropriations for Government expenses in 1933, as compared with the appropriations which were made for 1932 by more than $500,000,000. That is a very conservative statement, and I think the gentleman from Tennessee [Mr. BYRNS] will agree with me.

Mr. BYRNS. It is $563,000,000.

Mr. BEEDY. Yes; $563,000,000, to be exact. In addition to that, we have passed an economy bill, which the gentleman from Alabama [Mr. McDUFFIE] brought into this House, after a great deal of labor, in which we further cut the running expenses of the Government by $43,000,000. Let me put it another way. This House in its current appropriation bills has cut under the limitations imposed by the Budget more than $175,000,000 for the fiscal year 1933.

I had a letter from a gentleman yesterday that said in effect, "I wish to suggest to you that the saving of $50,000,000 or $200,000,000 in Government expenses is a mere bagatelle." Another wrote, in substance, that the Congress should cut the cost of running the Government a billion dollars. Without any disrespect to such people, it clearly shows that they do not understand what they are talking about. The person last referred to certainly did not understand that he was suggesting that we cut appropriations for running the Government by 68 per cent. Of course, such a cut would render the Government inoperative and precipitate a revolution. I undertake to say that, barring the Congresses of the Great War days, no Congress ever faced a more delicate and difficult task, and no Congress in both parties ever showed a more earnest, sincere desire to do the indispensible and helpful thing by continuing the Government and at the same time meeting the necessity of the present time and satisfying the popular demands by cutting appropriations to the bone. [Applause.]

When I suggested to my friend, the gentleman who wrote me to disparage a savings of $50,000,000, or even $200,000,000, that a $200,000,000 saving as to the $1,600,000,000, or total cost of running the Government, was a cut in overhead of 13 per cent, and when I suggested to him that we had cut the expenses of this Government in this House by more than $500,000,000 against those of last year, I think I submitted to him, and I now submit to the country, facts which they should consider; and, having considered, should give this Congress credit for handling a difficult task effectively. I for one am discouraged with the apparent indifference that the public shows toward earnest efforts on the part of Congress to perform its work. I can overlook it only when I stop to consider that the average citizen is too busy with his own private affairs to understand the details and the infinite difficulty of the task this Congress is facing in terms of accomplishment. [Applause.]

Mr. BANKHEAD. Mr. Chairman, I rise in opposition to the pro forma amendment. I am very much delighted to have heard the statements made by the gentleman from Maine [Mr. BEEDY] and the gentleman from Idaho [Mr. FRENCH], members of the minority party upon the floor of this House, in view of what has developed within the last few days in the public prints. I took occasion a few days ago to rise in this place and to undertake to point out to this House and to the country what I conceived to be a very grave and serious mistake upon the part of the Executive in issuing his public statement, the direct and inevitable effect of which was to bring the entire Congress of the United States into disrepute before the American people. That was the interpretation that was given to the message by the people at large, and it has been reflected here in the avalanche of letters that all Members of this House have been receiving—and I now see that they have been received on both sides of the Chamber—derogating in the bitterest terms the activities of this Congress and undertaking to point out that we have been absolutely derelict in our duties and are unmindful of the obligation that rests upon us in the present circumstances of conscientiously undertaking to reduce expenses of government. I rise at this time simply to say that it seems to me that the criticism that was directed at the message that came from the White House has been thoroughly justified by the developments now disclosed.

I think it is a matter of supreme importance that the people of the country do know the truth about what this Congress is undertaking to do in the matter of economy, and I think the Congress of the United States ought to re-

ceive at the hands of the people the credit to which it is entitled for the earnest and diligent efforts as representatives of the American people in this body. [Applause.] I hope that some publicity may be given to the true facts of the record of this Congress along these lines, and I reiterate that it was absolutely unfair, whatever may have been the motives that inspired the declaration, in the face of the record, and it was an unjustified public attack upon the record of the Congress of the United States in its desire to meet the present situation. And it has been suggested to me by my colleague [Mr. McDUFFIE] that it is unfair to the Republican side and to their Representatives as well as it was unfair to the majority side, to bring out a public statement, the inevitable, and as I now believe, deliberate purpose of which was to arouse public sentiment in America against the law-making branch of the Government to the political advantage of the President.

Mr. BROWNING. Does the gentleman have any hope that the same agencies that carried the false impression will carry the impression to the country given by the gentleman from Maine [Mr. BEEDY].

Mr. BANKHEAD. I indulge the hope it may be possible, but judging by past experience, I have very grave doubt that they will.

Mr. PARSONS. And does the gentleman believe that the President has been entirely fair in presenting the truth of this matter to the country?

Mr. BANKHEAD. He has not. He gave Congress no credit for the great reductions made in his own budget. I want to make this statement in justice to some of the representatives of the press. It has come to me from the newspapermen themselves, and this statement has been made upon the floor of this House, that the men in this press gallery undertake to send the facts back to their papers, but the publishers of those papers and the editors of those papers will absolutely color and doctor the real facts so as to undertake to reflect partisan advantage. That is the complaint I have. It is not so much against the representatives of the press, who sit in this gallery, as it is distortion of the truth upon the part of those who publish the news. [Applause.]

Mr. SABATH. Mr. Chairman, I move to strike out the last three words.

I join the gentleman from Alabama in the expressions of congratulation to the gentleman from Idaho [Mr. FRENCH] and the gentleman from Maine [Mr. BEEDY] upon their manly statements on this floor. For weeks Congress has been attacked maliciously and willfully and unjustifiably. Of course, all of us realize that it is because of political reasons that the Republican press desires again to recreate the superman, but I am of the opinion, Mr. Chairman, that the friends of the President have gone too far in trying to reestablish him; and his messages and statements will not have the effect that he and his political friends believe they will have upon the country. There is such a thing as overdoing things, and they have done it.

We have all received hundreds and thousands of telegrams attacking Congress, vilifying the membership for neglecting to reduce expenditures, and demanding the balancing of the Budget. I have said that it is absolutely impossible (and I am borne out in that statement by the gentleman from Maine and the gentleman from Idaho) to balance the Budget overnight and make up a deficiency for the fiscal year of 1932 of two and one-half billion dollars, which has been the result of Republican maladministration. We must recognize that nearly 72 per cent of the expenditures go for militarism—for the Army and Navy and for such expenditures as are chargeable to militarism. Therefore it is absolutely impossible, out of the balance of one and one-half billions, as these gentlemen have stated, to save two and one-half billions to balance the Budget. But people do not understand it. They are being misled by false propaganda, false publicity, which is neither helpful nor beneficial to the party or to Congress.

I am indeed gratified that these two outstanding Republicans were to-day brave enough and honest enough to have called attention to this abuse. Let us hope that in the future there will be other Republicans who will have the courage of their convictions and who will speak out and condemn these attacks that have been made in the last few weeks; that is, ever since the President decided that conditions were right to launch his campaign for reelection.

I have before me a copy of the CONGRESSIONAL RECORD of April 22, in which I inserted the expenditures for the War and Navy Departments.

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

Mr. SABATH. Mr. Chairman, I ask unanimous consent to proceed for two additional minutes.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. SABATH. The statistics show that in the last fiscal year we appropriated nearly $900,000,000 for the Army and Navy alone. I have placed in the RECORD the amounts that were appropriated when I first came to Congress. At that time the country criticized expenditures of $180,000,000 for the Army and Navy. So in the years that I have served, we have increased the appropriation for the Army and Navy over 400 per cent, notwithstanding the fact that these very gentlemen, these Army and Navy men, are the first to criticize any Member who does not vote for every increase and appropriation which they advocate. They are not sincere, they are not loyal, they are not patriotic; but they should be. If there is a class in America that should be patriotic, that should be loyal to the flag and to the country, it is this group of gentlemen, and at a time like this they should be the first to aid in bringing about conditions that may, at least to some extent, enable the Congress to balance the Budget, which, as I stated, I feel it is almost impossible for us to do at this time. [Applause.]

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

Mr. COLLINS. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto close in 10 minutes.

Mr. SCHAFER. Mr. Chairman, I object.

Mr. COLLINS. Mr. Chairman, I move that all debate on this paragraph and all amendments thereto close in 10 minutes.

The motion was agreed to.

Mr. WHITE. Mr. Chairman, I rise in opposition to the pro forma amendment.

Since my State and my craft have come into this debate so prominently in the last few minutes, Mr. Chairman, I feel it is only justifiable, not only to the gentlemen who sit in the press gallery above the Speaker but to the people who own the newspapers of the United States, that I may say a word, not necessarily in defense of them at all but in explanation.

Until I came to this House that had been the business at which I had made my livelihood, and I feel that I know something about the methods by which they work.

A surprisingly large percentage of the statements published in the press, well up in the nineties, are absolutely and strictly true. I have watched the press during the last few weeks in connection with its criticism of Congress, and what the press has done was not to say that Congress has done so-and-so, except in their editorial columns, but they have quoted Members of the two Houses of Congress as saying so-and-so. The impression goes to the country that that is a thing the newspaper has said. What the newspapers say about Congress is very largely what we say about each other.

Mr. Chairman, a difficulty in the United States to-day is impassioned, unrestrained, and intemperate judgment and statement of person about person. It is going on not only here but throughout the Nation. There never was a moment, as far as I can find from my reading of history, when class feeling, when group feeling, when rivalry in trade were as bitter as they are to-day in this Nation. That is dangerous.

I believe that any man who rises either on this floor or any place in this Nation to turn class feeling to his own

advantage is crucifying this country for his own selfishness. [Applause.]

We have to make economies here, and there is no question about it. Money can not be gotten to carry on this Government at the rate we were going, whether we like it or not. We have taken some responsibility by reducing appropriations. I feel that Congress should take a little more of the responsibility by creating an orderly method of doing it.

I want to say that the business men who are spreading gloom in this Nation, the so-called business leaders, in their efforts to pass a larger part, I believe, than is justifiable of the burdens of this situation to others are largely responsible for the difficulty. [Applause.]

Just to show you the fairness of the country, I went through a primary election last Tuesday. I went among the war veterans, who were asking me where I stood on the bonus, attended meetings, and frankly told them I did not think we could pay it at this time and explained why. I believe I got a majority of the votes in those meetings. I got approximately 3 to 1 of the votes in my district and ran well up among the leaders of my ticket.

Mr. SCHAFER. Will the gentleman yield?

Mr. WHITE. Yes.

Mr. SCHAFER. The gentleman did not pussyfoot on the dry question?

Mr. WHITE. I did not.

Mr. SCHAFER. He took a straightforward position in favor of changing the present prohibition law?

Mr. WHITE. I did. I think that law is one of the dangers of the times. I think that law one of the most intemperate on our books. If we will be temperate in what we do and say, we will come out of our present difficulties unscathed. [Applause.]

[Here the gavel fell.]

Mr. BLANTON. Mr. Chairman, I move to strike out the last four words. I heartily indorse everything that was said by our distinguished friend from Idaho [Mr. FRENCH], and our good friend from Maine [Mr. BEEDY] regarding the necessity of cutting governmental expenses, but there was one intimation made by our friend from Maine with which I can not agree. He intimated we must accept as fixed and unchangeable the so-called "fixed charges" against the Government—accept them as the fixed and as the unchangeable law of the Medes and Persians. Why, it is the fixed charges of the Government, if you please, which embrace a large part of the $4,000,000,000 Budget annually, that we must attack, that we must cut down, and that we must change if we expect to save our Government from bankruptcy. How would we ever get this Government back to normalcy financially unless we cut down those fixed charges?

There has been an attempt by your committee, and there has been an attempt by every subcommittee of the Committee on Appropriations that has passed on every supply bill that has come upon this floor, in so far as they could do it under the Holman rule, to cut down the fixed charges. They can not cut very far, it is true, because they have to keep strictly within the Holman rule and proper limitations; but as far as they could go, without making the provisions subject to a point of order, our Appropriations Committee has cut down those fixed charges. Under the Holman rule this Subcommittee on Appropriations, that has brought you this Army bill, has proposed to cut down certain parts of the fixed charges on 2,000 surplus Army officers, and yet we find distinguished men on this floor——

Mr. LAGUARDIA. And only 25 per cent of those fixed charges at that.

Mr. BLANTON. Yes. We find distinguished ex-Army officers here, big generals——

Mr. MARTIN of Oregon. The gentleman is referring to me. Let me ask him a question.

Mr. BLANTON. One moment, please. We find them here fighting that proposition. My friend fought consolidation, but his fight on consolidation is just a temporary victory. Do you not know that the consolidation is going to be made ultimately and not very long from now? He can win against proper consolidations for a while but not for all time, as the interests of the people of the United States are going to require it ultimately.

These big generals, like our friend, General MARTIN, and our good friend from Illinois, General CHIPERFIELD, and our good friend from Connecticut, General Goss, and our friend, Mr. PARKER of Georgia—they are not going to stop this move to reduce the fixed charges.

I am going to vote with this committee all along the line to cut these fixed charges. The RECORD shows that we have over 5,000 surplus officers in the United States Army, above the average and proportion of the officers in every army in every nation of the world. Are you not willing to cut them down?

Mr. PARKER of Georgia. Will the gentleman yield?

Mr. BLANTON. I am sorry I can not.

Mr. BEEDY. Will the gentleman yield to me?

Mr. BLANTON. I can not yield now. I have only five minutes.

Mr. PARKER of Georgia. Mr. Chairman, I raise the question of personal privilege.

The CHAIRMAN. The gentleman can not take the gentleman from Texas off the floor on a question of personal privilege.

Mr. PARKER of Georgia. If the gentleman will not yield, I move that his remarks be taken down.

The CHAIRMAN. The gentleman from Georgia asks that the remarks of the gentleman from Texas be taken down.

Mr. BLANTON. Which remarks does the gentleman refer to?

Mr. PARKER of Georgia. The remarks made about me.

The CHAIRMAN. The gentleman will suspend. The Clerk will take down the reference.

Mr. PARKER of Georgia. I have reference, sir, to the remarks the gentleman has already made about me.

The CHAIRMAN. The gentleman from Texas will be seated.

Mr. LAGUARDIA. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LAGUARDIA. The gentleman from Georgia makes the point of order that the gentleman from Texas was out of order and has asked that his words be taken down. The reference made to the gentleman from Georgia was made some moments ago and the gentleman from Texas has proceeded since then in debate. I think the point of order of the gentleman from Georgia comes too late. I only say this in order to preserve the procedure on this very delicate rule we have in the matter.

The CHAIRMAN. The Chair will say to the gentleman from New York that the gentleman from Georgia [Mr. PARKER] was evidently on his feet trying to get recognition. The Chair supposed he was going to ask the gentleman from Texas to yield until the gentleman from Georgia made the point of order.

Mr. LAGUARDIA. If the Chair pleases, the gentleman from Georgia waived that privilege when he asked the gentleman from Texas to yield.

Mr. BANKHEAD. Mr. Chairman, if the Chair will hear me for a moment, I think the question involved in a matter of this sort is in the nature of a question of privilege, and there ought not be too strict or too meticulous a construction of the question raised by the gentleman from New York. The gentleman from Georgia might not have taken advantage of his rights at the time. I think the point of order certainly does not come too late.

The CHAIRMAN. The Chair is of that opinion, in view of the fact that the gentleman was on his feet and the Chair was not advised of the purpose for which the gentleman desired recognition. The Chair asked if the gentleman from Texas would yield, and when the gentleman declined to yield, after that inquiry was made by the Chair, the gentleman from Texas said he declined to yield, and the gen-

tleman from Georgia made the point of order and asked that the words be taken down. This is the recollection of the Chair of the proceedings.

Will the gentleman from Georgia indicate, for the information of the Chair, the words objected to?

Mr. PARKER of Georgia. Mr. Chairman, I object to the language used by the gentleman from Texas wherein he refers to me as "General PARKER, the gentleman from Georgia, who won the war."

Mr. BLANTON. If that is all, I withdraw that, Mr. Chairman.

Mr. PARKER of Georgia. He can not withdraw it, sir.

The CHAIRMAN. The language can only be withdrawn by unanimous consent.

Mr. BLANTON. Mr. Chairman, I ask unanimous consent to withdraw that reference to the gentleman.

Mr. MARTIN of Oregon. I object, Mr. Chairman.

Mr. CHIPERFIELD. Mr. Chairman, it is highly unfortunate that the House and the Members treat as a matter of levity a remark that was intended to be so unkind.

Mr. HUDDLESTON. Mr. Chairman, I make a point of order on the remarks of the gentleman from Illinois [Mr. CHIPERFIELD]. We are not here to be lectured by the gentleman from Illinois.

The CHAIRMAN. The Clerk will report the words taken down.

Mr. MONTAGUE. Mr. Chairman, I make the point of order that, pending the disposition of this precise matter, no other business can possibly take place on the floor of the House.

The CHAIRMAN. The Chair sustains the point of order and has been endeavoring to suspend further proceedings.

The Clerk will report the words indicated by the gentleman from Georgia [Mr. PARKER].

The Clerk read the words referring to Mr. PARKER.

The CHAIRMAN. Under the rules the committee rises and reports the matter to the House.

The committee will rise.

The committee rose; and Mr. BANKHEAD, Speaker pro tempore, having assumed the chair, Mr. LANHAM, Chairman of the Committee of the Whole House on the state of the Union, reported that the committee having had under consideration the bill H. R. 11897, certain words, used in debate, were objected to and upon request were taken down and read at the Clerk's desk, and he herewith reported the same to the House.

The SPEAKER pro tempore. The Clerk will read the words reported from the committee.

The Clerk read the words referring to the gentleman from Georgia [Mr. PARKER].

Mr. SABATH. Mr. Speaker——

The SPEAKER pro tempore. For what purpose does the gentleman from Illinois rise?

Mr. SABATH. Mr. Speaker, if I am correct, the gentleman from Georgia [Mr. PARKER] only objected to and requested that the words about him be taken down, and not anything that was said about the other gentlemen.

The SPEAKER pro tempore. The Chair can take no official cognizance of anything except the words that have been officially taken down and reported.

Mr. PARKER of Georgia. Mr. Speaker, I move that the words that have been taken down——

The SPEAKER pro tempore. The Chair will state to the gentleman from Georgia that the preliminary question for the Chair to decide is whether or not the words taken down are opprobrious or in contravention of the rules of the House and of orderly debate. The statement made by the gentleman from Texas [Mr. BLANTON] has been reported by the Clerk and is now before the House for consideration.

The present occupant of the chair, of course, regrets personally that he is called upon to make a decision affecting this matter, because the Chair can readily understand how the words in question may have been construed to disparage the gentleman from Georgia, but it is only the duty of the Chair, under the circumstances, to undertake to construe, from a parliamentary standpoint, whether or not the words used are offensive in their nature or tend to bring the gentleman from Georgia into contempt or disrepute before the House.

However much the Chair would like to have an expression of the House on this language that has been taken down, the Chair is compelled to come to the conclusion that the language in itself does not offend the rules.

Mr. McSWAIN. Mr. Speaker, in view of the possibility of a different construction being put upon the language, I join in the request of the gentleman from Texas that unanimous consent be given that the words be stricken from the RECORD.

Mr. STAFFORD. That request has not yet been made in the House.

Mr. McSWAIN. Then I make the request now.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from South Carolina?

Mr. BLANTON. I shall not object, if the gentleman from Georgia says he did not win the war; I withdraw it.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from South Carolina?

Mr. LAGUARDIA. The gentleman from Texas does not lose the floor?

The SPEAKER pro tempore. No. Is there objection?

There was no objection.

The SPEAKER pro tempore. The committee will resume its session.

Mr. BLANTON. Mr. Chairman, I have not crossed swords with the gentleman from Georgia with whom I have always been friends. My only reference to him was because of his attitude, principally in the Committee on Military Affairs. I have been trying to get the rottenness out of the Veterans' Bureau in order to balance the Budget, to get the graft and extravagance out of that bureau. I had before the Military Affairs Committee a witness——

Mr. PARKER of Georgia. Mr. Chairman, I demand the regular order.

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

Mr. BLANTON. I ask unanimous consent, Mr. Chairman, that I may revise and extend my remarks, and I will get further time later.

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

Mr. PARKER of Georgia. I object.

The Clerk read as follows:

WELFARE OF ENLISTED MEN

For the equipment and conduct of school, reading, lunch, and amusement rooms, service clubs, chapels, gymnasiums, and libraries, including periodicals and other publications and subscriptions for newspapers, salaries of civilians employed in the hostess and library services, transportation of books and equipment for these services, rental of films, purchase of slides for and making repairs to moving-picture outfits, and for similar and other recreational purposes at training and mobilization camps now established or which may be hereafter established, $69,540.

Mr. LAGUARDIA. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 8, line 15, strike out "$69,540" and insert in lieu thereof "$40,000."

Mr. LAGUARDIA. Mr. Chairman, I call the attention of the committee to the fact that this paragraph carries appropriations for recreational purposes. It is solely for recreation, and provides $69,540, a reduction from last year of only $2,000. Last year we appropriated $72,640. I submit that while Congress is being hard driven for economy, here is a good place to save $29,000. My amendment will do that. Here we have a body of men that are well fed—they have better food than they have ever had before in the Army.

Mr. MARTIN of Oregon. The gentleman is absolutely correct.

Mr. LAGUARDIA. We have improved in the last 15 or 20 years owing to the cook schools and care planning for food, and this body of men is well housed and well clothed, and it has the best of medical care. In fact, they enjoy all the comforts of life.

When I was a boy at an Army post, in the early days, as General MARTIN will recall, recreation was paid for out of the company funds.

This appropriation is also for books and newspapers. In my day it was paid for out of the company funds. Here we have civilian employees, and hostess, and library service. Surely, in every company there are one or two able to do library work.

I submit, that in view of the very earnest demands that have been made for economy, surely we can strike $29,000 from this item.

I do not make this as a pro forma amendment. I want to say to-day to my distinguished colleague from Georgia [Mr. PARKER] and our colleague from Oregon that they must not take darts coming from a heated debate too much at heart.

Mr. MARTIN of Oregon. I would not take anything at heart that came from the gentleman from Texas.

Mr. LAGUARDIA. I am serious. We have a bitter debate every year on the military appropriation bill, and we must go through with it as a part of our work. We have two different schools of thought in this country on military appropriations, and because some of us take a stand on this question, I do not think any Member should take it as a personal affront.

Personally I am glad that we have the Army viewpoint reflected here by the gentleman from Oregon [Mr. MARTIN]. I think that is helpful. I think it carries out our idea of representative government. I appeal to my friend from Oregon—he and I do not always agree, but I know he takes his work seriously—so may I suggest to him that it is all a part of our day's work and he should not feel offended if some of us differ with him.

Mr. MARTIN of Oregon. The gentleman must know that I am not supersensitive, and he should not worry about that. I have just as thick a hide, probably, as my distinguished friend has, and I will take just as much part in a scrimmage as he will. I am not sensitive about this. I do not care what the gentleman from Texas [Mr. BLANTON] says or what anybody else says. I maintain my own views and my own opinion.

Mr. LAGUARDIA. The gentleman is entitled to that.

Mr. MARTIN of Oregon. And do not think that I am one of these sensitive, delicate little plants; I am as tough as hell. [Laughter.]

Mr. LAGUARDIA. I am glad to hear that the gentleman is hard-boiled. Now, to get back to my amendment for a moment, I submit this is something that the enlisted men themselves can provide their own recreation and take care of their own libraries. We ought to take at least the $29,000 off this item that I suggest. I appeal to my colleagues who were so strong for economy when it was a matter of reducing the salaries of civil-service employees. As we go along I am going to impose on the patience of the House and point out where economies may be made without impairing national defense one bit. Our whole national defense always has depended upon a citizen army, and yet we have built up this appropriation and seen it grow in the last 14 years from before the war until we have this gigantic costly machine that it is almost impossible to break through. I appeal to my colleague, who seems to be so strong for economy, to start right here.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BARBOUR. Mr. Chairman, I rise in opposition to this amendment. The provision in the bill is just what it says. It is $69,540, which it is proposed to appropriate for the welfare of enlisted men. This appropriation provides books for their libraries, reading material, newspapers, magazines, amusement rooms for the men, moving-picture outfits, and other supplies which they use in a recreational way. I visited one of these libraries not so long ago at an Army post and was surprised when the corporal in charge told me of the number of books and the class of books that were taken out of that library and read by the enlisted men. Many of them were books of a scientific nature. He told me that at that post there were many enlisted men who were trying to improve themselves, trying to learn trades, so that they would be prepared to take better positions in civilian life when their enlistments expired. Many of the books read by the men were similar to reference books used by students in college. This is for the welfare of the enlisted men. I submit that this House does not want to curtail in any way this small appropriation for these men, many of whom are at out-of-the-way posts, places where other amusement and entertainment can not be had.

Mr. CLARKE of New York. How many of these posts are there?

Mr. BARBOUR. I can not tell the gentleman. I presume the number is in the hearings. There is a large number of them.

Mr. CLARKE of New York. Can the gentleman give us some idea as to the number and the necessity for the expense?

Mr. BARBOUR. We have Army posts scattered all over the United States, in the Philippines, and in Panama, and in Hawaii, and various places. In the Canal Zone there are several different posts. The total number of posts in the United States I can not tell offhand.

Mr. MARTIN of Oregon. About 200.

Mr. LAGUARDIA. We have out of this appropriation the amount of $24,380 estimated for pay and travel of hostesses, and then we have pay and traveling expenses of librarians, purchase of books, and so forth; and transportation of books and equipment, $45,260, and purchase and repair of recreational equipment, $1,000.

Mr. CLARKE of New York. The gentleman from Oregon [Mr. MARTIN] says there are 200 of those posts where this work is carried on.

Mr. BARBOUR. Yes. If General MARTIN says that, it is true; I have no doubt that is the number.

Mr. Chairman, these hostesses have been carried in the Army for a long period of time. They are women at the Army posts who meet the families of the enlisted men when they come there to visit them. They look after them and they care for them. There are only 13 of them all together. They serve a useful purpose in that and other ways.

Now, there is a librarian in each corps area. That corps-area librarian sometimes must travel to other posts in the corps area. For that reason there is a small amount included here for travel of librarians. The larger part of the item is for the purchase of books.

With that statement to the House explaining just what this item is, I am willing to submit the matter.

Mr. KETCHAM. Will the gentleman yield?

Mr. BARBOUR. I yield.

Mr. KETCHAM. In line 13 there is reference to "recreation purposes at training and mobilization camps."

Mr. BARBOUR. Yes.

Mr. KETCHAM. I am wondering if the total has been written with the idea that the training and mobilization camps may be eliminated this summer?

Mr. BARBOUR. No.

Mr. KETCHAM. If that is true, the item is not large at all.

Mr. BARBOUR. There was a small reduction in the Budget, and then there was another cut made by the committee. It was reduced from $72,640 to $69,540. The Budget reduced it $2,000 and the committee reduced it another $1,000.

Mr. KETCHAM. With the suggestion of the gentleman, it seems to me that item is not excessive.

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

The question is on the amendment offered by the gentleman from New York.

The amendment was rejected.

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

The Clerk read as follows:

Amendment by Mr. BLANTON: On page 8, line 4, strike out the words "welfare of enlisted men."

Mr. BLANTON. Mr. Chairman, I maintain that the welfare of enlisted men does not require so many ex-major generals on the floor of the House of Representatives going into a huddle to break up a committee bill.

This is not the first time I have put General CHIPERFIELD and General PARKER into a huddle. I have had them in a huddle before the Committee on Military Affairs for the last three weeks.

Mr. TABER. Mr. Chairman, a point of order. It seems to me that the bill should be discussed and not personalities in the House of Representatives. [Applause.]

Mr. BLANTON. Mr. Chairman, I am discussing the welfare of enlisted men as against generals in a huddle.

Mr. MONTAGUE. Mr. Chairman, I rise to a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. MONTAGUE. The gentleman from Texas has no right to allude to Members by mentioning their names. The gentleman must state "the gentleman from such and such a State" and "the gentleman from such and such a State."

The CHAIRMAN. The point of order is well taken. The rules require reference to Members in the third person.

Mr. BLANTON. I think that point of order is well taken, Mr. Chairman.

I have had a bill before the Committee on Military Affairs to clean up this Veterans' Bureau in the interest of the enlisted men and the taxpayers of the United States. Incidental to it I have been trying to remove this swivel-chair officer, William Wolff Smith, who served 13 days before the armistice and who is drawing a salary of $9,000 and also retired pay of $187.50 per month additional.

Mr. TABER. Mr. Chairman, I make the point of order that the bill is not being discussed.

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

Mr. BLANTON. Mr. Chairman, I am discussing my amendment, "the welfare of the enlisted men."

Mr. TABER. Mr. Chairman, I make the point of order that the gentleman is not discussing the amendment.

The CHAIRMAN. In the opinion of the Chair, Members of Congress can hardly be considered enlisted men. The gentleman from Texas will proceed in order.

Mr. BLANTON. Well, there is a bunch of men here who were enlisted at one time and they are not enlisted now, except against my proposal to clean up the Veterans' Bureau. I showed before this committee that 876 "lawyerettes" are employed by the Veterans' Bureau at salaries ranging from $2,500 to $9,000.

Mr. MARTIN of Oregon. Mr. Chairman, I insist that the gentleman from Texas speak on the bill.

Mr. BLANTON. I would like one gentleman at a time to rise against me. I can take care of all three of the generals if the House will allow me to do it.

Mr. MARTIN of Oregon. I do not think the House will allow the gentleman to do it.

Mr. BLANTON. The gentleman is so used to giving orders that he does not like to take them, but here in the House of Representatives he does, for we are all equal. I do not have to salute him at all.

Mr. MARTIN of Oregon. I have gotten under your hide, and that is exactly what I wanted to do.

Mr. BLANTON. I am getting under the General's hide, too, and he can not stand it.

Now, Mr. Chairman, proceeding in order, if these generals will allow me, I showed that this William Wolff Smith swore falsely to an affidavit to get his big retired pay.

Mr. MARTIN of Oregon. Mr. Chairman, I insist that the gentleman speak in order on this bill.

Mr. BLANTON. Oh, Mr. Chairman, I am speaking in order, under the heading of "The Welfare of the Enlisted Men." It is the enlisted men of the Nation, 4,000,000 of them, whose money is being spent by such parasite grafters as William Wolff Smith.

The CHAIRMAN. The gentleman from Texas will suspend until the point of order is disposed of.

Mr. TABER. Mr. Chairman, I make the point of order that the gentleman is not discussing the amendment that has been made at this point in this bill. If we can not, in this House of Representatives, attend to our business and discuss the things before us, we will never get through.

The CHAIRMAN. The Chair sustains the point of order. The gentleman from Texas will proceed in order.

Mr. BLANTON. I am proceeding in order, Mr. Chairman. I know the rules of the House. In behalf of the enlisted men I was trying to get this parasite off. I showed that he has made an affidavit that for the six months just before he entered the Army he was getting $600 a month from a private law practice, while in truth and in fact he was employed as a clerk in the War Department at a salary of only $125 per month, which he admitted under oath while testifying before the committee. When his secretary was testifying before the committee, I made her admit that she also made an affidavit to this application of Smith's, in which she swore that the facts stated therein by him were true and correct. And the gentleman from Georgia [Mr. PARKER] asserted that he could see no relevancy of the testimony; that it was unimportant; and that if the committee permitted me to offer such testimony, he would refuse to attend the committee hearings. It would be no great loss to the country if he did quit attending.

Mr. TABER. Mr. Chairman, I insist on my point of order.

The CHAIRMAN. The gentleman from Texas will kindly proceed in order.

Mr. BLANTON. I am, Mr. Chairman.

Mr. TABER. The gentleman is not discussing the amendment.

Mr. BLANTON. I know the rules of the House. I have a right to discuss my subject, which is the enlisted men of the Army. There is a certain amount of latitude allowed in debate on the floor. This is the open forum for us Representatives of the people, and I have a right, on behalf of the 400,000 people I represent, to tell these generals something in the interest of the enlisted men.

The CHAIRMAN. The Chair recognizes that there is latitude in debate, but the gentleman will proceed in order.

Mr. LINTHICUM. Mr. Chairman, I ask unanimous consent that the amendment may be again reported.

The CHAIRMAN. Without objection, the Clerk will again report the amendment.

There was no objection.

The Clerk again read the amendment.

Mr. CHINDBLOM. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. Will the gentleman from Texas yield for a parliamentary inquiry?

Mr. BLANTON. No; I do not yield. I want to use the rest of my five minutes. I have not been able to use much of it yet. There are too many generals interfering with me.

Mr. SCHAFER. Will the gentleman yield to a buck private?

Mr. BLANTON. Always in the interest of a buck private; yes. [Laughter and applause.]

Mr. SCHAFER. If the gentleman's amendment is adopted, will he remove his alleged parasite from the disabled emergency officers' retirement roll?

Mr. BLANTON. I think the committee is going to do that in a week.

Mr. SCHAFER. The gentleman is merely laying his foundation in the matter and feels he is proceeding in order.

Mr. BLANTON. Yes. The committee, I hope, is going to do it in less than a week.

Mr. SCHAFER. In view of that I will not ask the gentleman any more questions.

Mr. BLANTON. I had the false affidavit of William Wolff Smith wherein he had sworn that for six months he was getting $600 per month, while in fact he was getting only $125, and certain obstructionists could not see the relevancy of it.

Mr. TABER. Mr. Chairman, I make the point of order that the gentleman is not discussing the amendment pending before the committee.

Mr. ARENTZ. Mr. Chairman, I ask unanimous consent that the gentleman from Texas proceed out of order for three minutes.

Mr. BLANTON. I am going to proceed in order. I know my rights here in the House, and I do not need the gentleman from New York to tell me how to proceed in the interest of the welfare of the enlisted men. I say that this general counsel had made a false affidavit. He had his secretary up there, who had been raised from a $1,400 clerk to a $4,800 lawyer in a few years. She had sworn, too, that the facts in that false statement were true and correct. Then I had these generals huddling—the gentleman from Illinois and the gentleman from Georgia. They said they would quit the committee if I were allowed to put that evidence in in behalf of the enlisted men whom I was trying to serve. They were huddling there and they have been huddling here, but they are not going to stop me until I clean up that Veterans' Bureau. [Applause.]

[Here the gavel fell.]

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

Mr. BLANTON. Mr. Chairman, that was a pro forma amendment, and I ask unanimous consent to withdraw it.

The CHAIRMAN. Is there objection?

Mr. PARKER of Georgia. Mr. Chairman, I object.

Mr. SCHAFER. Mr. Chairman, I rise in opposition to the amendment. From the standpoint of the welfare of the enlisted men I believe the gentleman from Texas [Mr. BLANTON] would be rendering better service for those who are now in the establishment and those who might enter the establishment and serve in a time of a future war if he would confine his work and service during the consideration of this bill to aiding in striking out some of its indefensible provisions, which practically emasculate our national-defense policy.

The chairman of the Appropriations Subcommittee recommends drastic changes. He outlined in his speeches his defense of some of the monstrosities included in this bill. He indicated that the authority that he was following was the views of a major and a captain in the British service.

Members of the House of Representatives of the United States of America, before you follow and vote with the gentleman from Mississippi [Mr. COLLINS] pay a little heed and attention to American citizens, the generals and other qualified staff officers of the American Army who will have to fight our battles if in the future we should engage in a war with a foreign country. Perhaps the country to which the British major and captain whom the gentleman from Mississippi [Mr. COLLINS] has quoted as authority owe allegiance. Such a thing is not utterly impossible. Why should the American Congress on a matter of our national defense follow some of the ridiculous proposals incorporated in this bill because some British captain or major advocates them? If we should adopt some of the proposals suggested by the gentleman from Mississippi, we might as well follow more of the British theory from a national-defense standpoint. If we should follow the suggestions made by this British major and this British captain, we might as well provide that before breakfast every morning every red-blooded American in the United States Army should rise up in all majesty and sing the British tune, "God Save the King."

Great Britain now has 22,332 officers and 401,758 enlisted men in her active regular army service. France has 32,317 officers and 598,042 enlisted men in her active regular army service. America has 12,000 officers and 118,750 enlisted men in her active Regular Army service. And yet in these days of unrest we are asked to reduce our 12,000 officer personnel by 2,000.

Gentlemen, pause before you, in the name of economy, in these days of unrest among the nations of the world, strike a vital blow at our national defense. Bear in mind that if you do help balance the Budget at this time by decreasing the effectiveness of the American Army, what will it avail you and the people of America if in the future, by reason of your penurious attitude, the whole Nation should be overcome and destroyed and the people of our common country required to pay many hundred times the saving in a tax tribute to a foreign nation. Consider the history of the world, and such a happening is not impossible. We sincerely hope that the day never comes when we must fight another war. We must, however, face facts and not hopes and should be prepared, particularly while other nations are arming to the teeth, with Asiatic nations beginning the next war and European nations refusing to reduce armaments.

Mr. Chairman, in order to balance the Budget it is not necessary to save a few million dollars at the expense of the security of our Nation and her people. If you are sincere in desiring to balance the Budget without a levy of burdensome taxes, I would suggest that you read and follow that noble editorial appearing in the Washington News, a Scripps-Howard newspaper, on yesterday, May 12, 1932, entitled "Do it now."

Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD at this point by inserting the editorial in question.

The CHAIRMAN. Is there objection?

There was no objection.

The matter referred to follows:

DO IT NOW

Wet victories in the Ohio and Indiana primaries hasten the national march away from prohibition. Ohio, the mother of Presidents and mother of the Anti-Saloon League, is a key State. Indiana is the State that had the most drastic dry laws.

This general reaction against an experiment which started with noble purpose and ended ignobly is now barbed with sharp economic necessity. Prohibition enforcement swells the Federal deficit and at the same time robs the Government of revenue with which to balance the Budget and relieve the overburdened taxpayer.

Those hit by the tax bill are now asking to be spared. The movies, the rubber industry, the automobile industry, the insurance companies—the whole long list.

And make no mistake about it, they are hit, and hit hard—at a time when any extra expense whatsoever is an inch off the end of the nose.

Life or death for many of the industries is in the provisions of the tax bill; life if the tax is only all that the traffic will bear; the death sentence if beyond that. And the death means to the Government that the goose that lays the golden egg is no more, that the thing the bill seeks to accomplish is nullified by the bill itself. So it is no more than natural and human that cries for mercy are raised.

And while all this is going on, the thing which would relieve all, the thing which would save industry from being taxed to death, lies before us—unused.

Congress, the Congress which is doing the taxing, has the power to amend the Volstead Act. By such an amendment a tax on beer can be levied. And by such a tax the terrible burden could be lightened, could be shifted to shoulders that could bear it—shoulders that now go unencumbered with any load whatsoever.

A beer tax would bring in from $375,000,000 to $500,000,000 per year. Think what that would do! It is a greater sum than the present proposed taxes on amusements, radios and phonographs, and communications combined. It is from one-third to one-half the total tax bill.

* * * * * * *

What a silly situation!

Prohibition is doomed. Every sign points to that fact. As sure as the stars prohibition is on the way out. Every politician in Washington knows it. It is only a matter of time. In what amounts to a stampede the political drys are turning wet.

What an opportunity to do it now—now, when the awful pressure of taxation can be relieved—not later, when the death sentence on overtaxed Americans has been executed.

Those industries which are now crying for help have stockholders. Those stockholders are voters. We advise the ones who are now lobbying in Washington to get their companies spared to go to the grass roots—to call upon their stockholders to express themselves to their Congressmen and their Senators.

Amendment of the Volstead Act by this Congress would turn the trick. It would clear the skies. It isn't being done because the wary politicians are waiting for the party conventions next month to take the responsibility for something that is an inevitable as to-morrow.

But pressure from back home might change their minds. The politician, admitting that prohibition is doomed, contends that it "can't be done in this session." He can be made to understand that anything is possible in a time like this.

Mr. SCHAFER. Mr. Chairman, this editorial truthfully shows how we can bring into the badly battered Federal Treasury from $375,000,000 to $500,000,000 each year. Instead of trying to wreck our national defense in order to save a few million dollars, I ask the gentleman from Mississippi [Mr. COLLINS] and those following him in the name of economy, in the name of the Treasury, and in the name of the

taxpayers, to walk up to the Clerk's desk and add their names to the petition which aims to bring the beer bill before the House for consideration. I also ask the distinguished Speaker of the House [Mr. GARNER] to do the same thing. He is the Speaker, but he came down in the well of the House and talked about the sales tax provision of the revenue bill in the name of the Treasury and in the name of economy and in the name of the taxpayers.

Hon. William Randolph Hearst, the publisher of many newspapers in this Nation, who has been a leader in behalf of maintaining an adequate national defense and the strongest supporter of the Speaker for the Presidency of the United States, is also one of the pioneers in advocating sensible prohibition reform as mentioned in the editorial incorporated in my remarks.

Mr. Chairman, no Member of this House can return and face the people in his or her district and convince them that they are for economy, for reduction in the cost of government, and reduction of burdensome taxes if they fail to assist in the enactment of a real economy bill as mentioned in the editorial.

You know that since the Judiciary Committee has failed to report the beer bill favorably that the only way it can be brought before the House in this session for consideration and passage is via the discharge rule. The discharge petition only lacks a few of the necessary 145 votes. So all you Members who have not already signed it and who believe in economy from the taxpayers' standpoint better get busy and affix your signatures if you are for the proposition. If you do not you must be against it.

The Lord said, according to St. Matthew xii, 30:

He that is not with Me is against Me; and he that gathereth not with Me scattereth abroad.

So you digest this wonderful editorial appearing in the Washington News, which you have so graciously allowed to be embodied as a part of my remarks, I hope we may have a stampede to sign the discharge petition on the beer bill and then when it is considered in the House assist in its passage without any unnecessary delay and send it to the Senate and let the economy doctors in that body who weep in behalf of the taxpayers and the battered Treasury pass and send it on to the White House. I feel confident that in these days of verily bleeding and dying in the name of economy, the taxpayers, and the Treasury that the President who is now in the White House will take his pen in hand and sign it within a few minutes after he receives it.

Mr. BLANTON. Mr. Chairman, will the distinguished gentleman from Wisconsin, whom I admire for having been a "buck private" in the war, yield?

Mr. SCHAFER. Yes.

Mr. BLANTON. The last stampede of that kind to the Clerk's desk we had in the House, to sign such a petition, was pretty disastrous for some of the stampeders.

Mr. SCHAFER. At the elections next fall it will be disastrous to many of the drys who fail to sign. Oh, your leader from Texas, the father of the eighteenth amendment, and the other prohibition leaders told us about the wonderful prosperity the eighteenth amendment would bring and had favored the American people with. They claimed only two or three years ago that the increased ownership of homes, life insurance, building and loan investments, fat pay envelopes, and many other prosperity benefits had accrued to the American workers and farmers and to all the people of the Nation as a result of the eighteenth amendment and prohibition. What are you going to say about it to-day? You followed him several years ago and preached the same doctrine. Do you admit that the prosperity which we do not have to-day is the result of prohibition? [Applause.]

Mr. COLLINS. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto do now close.

Mr. PARKER of Georgia. Mr. Chairman, I object.

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

The motion was agreed to.

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

The amendment was rejected.

The Clerk read as follows:

FINANCE DEPARTMENT

PAY, ETC., OF THE ARMY

For pay of commissioned officers of the line and staff, $27,209,927; pay of officers, National Guard, $100; pay of warrant officers, $1,657,205; aviation increase to commissioned and warrant officers of the Army, not to exceed $1,754,283; additional pay to officers for length of service, $8,356,200; pay of enlisted men of the line and staff, not including the Philippine Scouts, $53,026,611; pay of enlisted men of National Guard, $100; aviation increase to enlisted men of the Army, $588,279; pay of enlisted men of the Philippine Scouts, $1,050,446; additional pay for length of service to enlisted men, $3,667,172; pay of the officers on the retired list, $12,914,948; pay of retired enlisted men, $12,252,603; pay of retired pay clerks, $3,375; pay not to exceed 60 civil-service messengers at $1,200 each at headquarters of the several Territorial departments, corps areas, Army and corps headquarters, Territorial districts, tactical divisions and brigades, service schools, camps, and ports of embarkation and debarkation, $72,000; pay and allowances of contract surgeons, $51,276; pay of nurses, $852,080; pay of hospital matrons, $600; rental allowances, including allowances for quarters for enlisted men on duty where public quarters are not available, $4,648,006; subsistence allowances, $5,122,479; interest on soldiers' deposits, $30,000; payment of exchange by officers serving in foreign countries, and when specially authorized by the Secretary of War, by officers disbursing funds pertaining to the War Department, when serving in Alaska, and all foreign money received shall be charged to and paid out by disbursing officers of the Army at the legal valuation fixed by the Secretary of the Treasury, $100; in all, $133,257,790, less $800,000 to be supplied by the Secretary of War for this purpose from funds received during the fiscal year 1933 from the purchase by enlisted men of the Army of their discharges, $132,457,790; and the money herein appropriated for "Pay, etc., of the Army" shall be accounted for as one fund: *Provided*, That no part of this appropriation shall be available to pay any officer detailed as a military aide to any civil officer of the United States outside of the War Department except the President: *Provided further*, That no appropriation contained in this act shall be available for or on account of the maintenance of more than 50 military attachés: *Provided further*, That no appropriation contained in this act shall be available for or on account of the maintenance of more than 83 bands: *Provided further*, That during the fiscal year ending June 30, 1933, no officer of the Army shall be entitled to receive an addition to his pay in consequence of the provisions of the act approved May 11, 1908 (U. S. C., title 10, sec. 803): *Provided further*, That after September 30, 1932, the sum herein appropriated for the pay of officers shall not be used for the pay of more than 10,000 commissioned officers on the active list of the Regular Army: *Provided further*, That after September 30, 1932, the number of officers of the line and promotion-list officers on the active list of the Regular Army shall not exceed 8,930, to be distributed among the following grades in the proportion now authorized by law, namely: 17 in the grade of major general, 37 in the grade of brigadier general, 384 in the grade of colonel, 473 in the grade of lieutenant colonel, 1,411 in the grade of major, and 2,822 in the grade of captain, and in the grades of first and second lieutenant the total number shall not exceed 3,786: *Provided further*, That hereafter no promotion shall be made to fill a vacancy in any of the several grades designated unless such promotion be necessary within the number of such grade as herein prescribed: *Provided further*, That upon the approval of this act, the President shall convene a board of not less than five general officers on the active list of the Regular Army who shall select the officers to be removed from the active list in consequence hereof, and the action of such board as to the number of and persons to be removed from the active list and the priority of their removal, except as to general officers, shall be final. Selections of general officers shall be subject to the approval of the President. Selections in the grades of second lieutenant to colonel, both inclusive, shall be confined to officers in such grades most advanced in age, except (1) that the board may exempt not to exceed 5 per cent of the total number of officers most advanced in age in each of such grades and, in addition, such Air Corps officers whose retirement may not be approved by the Chief of the Army Air Corps, and exercise its discretion in the selection of other officers in lieu thereof, and (2) that the board may exempt completely officers in the grade of second lieutenant. In addition to such selections, the board also shall select such further number of officers most advanced in age from the grades of colonel and lieutenant colonel, to be removed from the active list on or before May 31, 1933, as will provide vacancies within the total number of 8,930 line and promotion-list officers for the class of cadets graduating from the Military Academy in the month of June, 1933: *Provided further*, That to the extent the total number of line and promotion-list officers selected for retirement in consequence hereof, exclusive of those selected to create vacancies for graduates of the Military Academy, shall be less than 2,000, the board shall select for retirement, at its discretion, such number of non-promotion-list officers as will equal such shortage: *Provided further*, That all officers selected

for removal from the active list in consequence hereof shall be placed on the unlimited retired list with pay at the rate of 75 per cent of active pay.

Mr. BARBOUR. Mr. Chairman, I make a point of order against the language in the bill, commencing at line 19, page 10, down to the end of the paragraph in line 20, page 12, on the ground that it is legislation on an appropriation bill.

The CHAIRMAN. Will the gentleman from California kindly point out specifically what portions of the paragraph alluded to he has reference to or whether he has reference to the entire paragraph?

Mr. BARBOUR. I have reference to the entire portion of the paragraph as indicated for the reason that it all depends upon the first part of the proviso beginning in line 19, page 10.

Mr. BYRNS. If the gentleman will permit, does the gentleman's point of order go to the entire paragraph?

Mr. BARBOUR. No; not to the entire paragraph. It goes to the language relating to the number of officers that shall hereafter be in the Army.

In line 19, commencing with the words—

Provided further, That after September 30, 1932, the number of officers of the line and promotion-list officers on the active list of the Regular Army shall not exceed 8,930, to be distributed among the following grades in the proportion now authorized by law, namely: Seventeen in the grade of major general, 37 in the grade of brigadier general, 384 in the grade of colonel, 473 in the grade of lieutenant colonel, 1,411 in the grade of major, and 2,822 in the grade of captain, and in the grades of first and second lieutenant the total number shall not exceed 3,786.

This, Mr. Chairman, is a change in the statutory law which provides the number of officers of these various grades that there shall be in the Army.

The national defense act, section 4, of the copy which I have in my hand, provides——

The CHAIRMAN. Has the gentleman from California the code citation?

Mr. BARBOUR. It is the act of June 4, 1920. The code citation does not appear here.

Mr. BANKHEAD. Will the gentleman yield for a brief question in order that the record may be made up on the facts? Can the gentleman state to the Chair, upon his point of order, the number of enlisted personnel authorized under existing law?

Mr. BARBOUR. That has nothing to do with it. The gentleman said the enlisted personnel.

Mr. BANKHEAD. I beg the gentleman's pardon. I did that improvidently. I meant the commissioned personnel. Under existing law what is the authorized number of commissioned officers that this provision is seeking to reduce?

Mr. BARBOUR. I am coming to that now.

The act of June 4, 1920, provides, in section 4:

Officers commissioned to and holding in the Army the office of a general officer shall hereafter be known as general officers of the line; officers commissioned to and holding in the Army an office other than that of a general officer, but to which the rank of a general officer is attached, shall be known as general officers of the staff. There shall be one general as now authorized by law until a vacancy occurs in that office, after which it shall cease to exist.

Now, Mr. Chairman, I am coming to the language involved here:

On and after July 1, 1920, there shall be 21 major generals and 46 brigadier generals of the line, 599 colonels, 674 lieutenant colonels, 2,245 majors, 4,490 captains, 4,266 first lieutenants, 2,694 second lieutenants, and also the number of officers of the medical department and chaplains hereinafter provided for, professors as now authorized by law, and the present military storekeeper, who shall have the rank, pay, and allowances of a major; and the numbers herein prescribed shall not be exceeded.

That is the basic law, Mr. Chairman, upon which these appropriations are made.

Mr. BANKHEAD. How many officers in number does that provide for?

Mr. BARBOUR. I think about 15,000.

Mr. JAMES. About 12,000.

Mr. BARBOUR. This provision to which my point of order is directed does not relate to the fiscal year of 1933, but it is for all time—

That after September 30, 1932, the number of officers of the line and promotion-list officers on the active list of the Regular Army shall not exceed 8,930, to be distributed among the following grades in the proportion now authorized by law, namely, 17 in the grade of major general, 37 in the grade of brigadier general, 384 in the grade of colonel—

And then it goes on and prescribes the number for each grade.

Now, being applicable to all succeeding fiscal years, and not being confined to the fiscal year 1933, it is my contention that this is not a limitation on an appropriation bill, but is legislation.

I find that the rule in this regard was very clearly stated by Chairman Frederick C. Hicks, on January 8, 1923, where he laid down certain tests to determine whether a provision in an appropriation bill was legislation on an appropriation bill.

Chairman Hicks said:

Without endeavoring to lay down any hard-and-fast rule, the Chair feels that the following tests may be helpful in deciding a question of order directed against a limitation, first having determined the powers granted or the duties imposed by existing laws: Does the limitation apply solely to the appropriation under consideration? Does it operate beyond the fiscal year for which the appropriation is made?

And then, in conclusion, after stating other tests which do not directly apply in this case. He says:

If the limitation will not fairly stand these tests, then the point of order should be sustained.

It is my contention, Mr. Chairman, that this provision in the bill does not stand the test that it must not operate beyond the fiscal year over which the appropriation is made.

Mr. CHINDBLOM. Mr. Chairman, I am informed that the act now in force with reference to the number of officers in the Army is the section contained in the Army appropriation act of June 30, 1922, which will be found in 42 Statutes at Large, page 721.

Mr. COLLINS. The gentleman is mistaken about that. It has been modified.

Mr. CHINDBLOM. What is the later modification?

Mr. COLLINS. September 14, 1922, and also the act of 1921.

Mr. CHINDBLOM. I was coming to that. I have before me also the act of September 14, 1922, section 1, which will be found in 42 Statutes, page 840, which is an amendment to the provision of the Army appropriation act of June 30, 1922. Subsequently the number of promotion-list officers was increased by 403 in the Air Corps, by section 8, of the act of July 2, 1926, creating the Air Corps.

Mr. LAGUARDIA. If the gentleman will permit, the Chair wants the United States citation. It is Title X, sections 481, 482, down.

Mr. CHINDBLOM. Mr. Chairman, I apprehend that it will be argued that this legislation is in order under the Holman rule inasmuch as upon its face it reduces the number of officers of the line and promotion list on the active list of the Regular Army. The Holman rule, however, requires that legislation, to be in order under it, shall upon its face show retrenchment. While the Holman rule does permit legislation, the legislation must show retrenchment upon its face so clearly that the Chair upon the reading of the language may conclude that the language will provide a reduction in expenditures. I submit to the Chair that the reading of the language now in question can by no means clearly bring to the mind of the Chair any such conclusion.

It is true that the number of officers of the line and promotion list is specifically placed at 8,930, to be distributed in the manner which the bill recites is in accordance with the proportion now authorized by law; but, in addition to that provision, there is a provision for the convening of a board of general officers by the President who shall determine upon the manner in which selections of officers for removal shall be made, and at the very conclusion of the language involved in the objection of the gentleman from California [Mr. BARBOUR] it is provided:

That all officers selected for removal from the active list in consequence hereof shall be placed on the unlimited retired list with pay at the rate of 75 per cent of active pay.

I respectfully submit to the Chair that whether there will be any saving in placing officers upon the unlimited retired

list with pay at the rate of 75 per cent of active pay, as against keeping those officers or other officers actually in the Army in active service, is a matter of pure speculation. It will depend upon the longevity pay as well as upon the base pay to which the officers selected for removal may be entitled, and the Chair can not determine whether reducing the number of officers in active service as provided in this language and thereafter reorganizing the Army and providing for filling their places and for retiring certain officers will result in any saving, retrenchment, or reduction of expenditures. I respectfully submit that the language must show affirmatively upon its face, under the Holman rule, that actual retrenchment and reduction in expenditures will follow.

There are portions of this language which I think clearly would be out of order without reference to the general purpose of the entire scheme. For instance, the provision for convening a board of five general officers by the President, who shall select the officers to be removed, is legislation which is not at all necessary for the purpose of carrying out a reduction in the number of officers. However, I shall not press that point, because I am informed that if the language involved in the point of order is to remain in the bill it will be necessary to have some such provision as this to make it at all workable. But it does not follow from any of the language to which objection has been made that there will be retrenchment or actual reduction of the total cost as a result of these changes.

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

Mr. CHINDBLOM. Yes.

Mr. McDUFFIE. The Chair, of course, is supposed to know, and does know, the pay of these officers who are to be retired. It seems to me that it is very simple and very plain that if you are to put on the retired list these officers on three-quarters of their full pay, as many as 2,000 of them, it means retrenchment, so that the language on its face evidently carries with it the idea of retrenchment.

Mr. CHINDBLOM. Apparently this procedure of reducing the number of officers of the Army is so simple that a very cumbersome and very complicated piece of machinery has been provided for its accomplishment, and what the result of that accomplishment will be the Chair can not now determine. This board to be convened by the President will take the action which will determine whether the officers who are retired and who are to be paid thereafter 75 per cent of their active pay will have such service both in grade and with reference to longevity that actually there will be a saving in the expenditures of the Government.

Mr. CANNON. Mr. Chairman, this is one of the general appropriation bills and therefore comes within the purview of Rule XXI, which prohibits legislation on an appropriation bill. If this provision against which the point of order is made is legislation, then it is subject to the point of order. The gentleman from California [Mr. BARBOUR] clearly shows that beyond peradventure of a doubt it is legislation on an appropriation bill. We concede that. But, Mr. Chairman, in the rules there is a notable exception to Rule XXI, the excepting rule being the only rule in our entire system of procedure which bears the name of its author, the Holman rule. The Holman rule provides that, although a provision may be legislation on an appropriation bill, still, if germane, it is in order, provided it reduces the number or salaries of officials of the Government, or that it reduces compensation received from the Government, or that it reduces the total amounts charged against the Treasury.

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

Mr. CANNON. Yes.

Mr. CHINDBLOM. Of course, the gentleman concedes that it must be with the result of making retrenchment or reduction of expenditures.

Mr. CANNON. It can hardly comply with these provisions unless it does do so. That necessarily follows.

Mr. CHINDBLOM. That is a sine qua non. It must reduce expenses.

Mr. CANNON. Mr. Chairman, although this is legislation on an appropriation bill, it is in order if it reduces the salary and number of officers, if it reduces compensation, or if it reduces the amount chargeable against the Treasury. Mr. Chairman, it does all three.

As shown by the statute cited by the gentleman from California [Mr. BARBOUR], the number of officers fixed by statute is vastly in excess of the limitation fixed in this appropriation. In other words, this provision means a reduction of the officers of the Army by 2,000 men. That is self-evident. It is a matter of common knowledge. That is the reason for opposing it. That is the very reason it is not wanted, because it does reduce the officers of the Army by 2,000 men.

Then it follows, Mr. Chairman, if we reduce the number of officers of the Army we save the Treasury the amount of their salaries. We save the Treasury the amount of their allowances and their subsistence; we save the Treasury the amount of their travel allowance, forage, and all the other incidental expenses which the support of every officer necessarily charges against the Treasury.

There remains, then, Mr. Chairman, only one consideration, the last one mentioned by the gentleman from Illinois [Mr. CHINDBLOM], that the bill provides for the method by which the number of officers shall be reduced—the appointment of a board by the President. The gentleman submits that this is legislation which does not necessarily involve a reduction in expenditures.

It is well established in the law of the House that in providing a method for retrenchment every component part, every integral provision, every essential step shall be considered together as one provision. It can not be picked apart and taken sentence by sentence or item by item. That requirement applies to the pending provision. It is a method which must be considered as a whole, a method of which any part is indispensable, a method which in operation will reduce expenditures and which, therefore, comes within the limit of the Holman rule.

Permit me to cite, Mr. Chairman, one or two notable instances in which rulings have been made on this point. Let us go back to the Sixty-fourth Congress, when we were considering the legislative appropriation bill. A proposition was made there to reduce by one-tenth all the employees in the departments of the Government and coupled with it was the proviso that the working day should be increased from seven hours to eight hours. A point of order was made that although the reduction of one-tenth in personnel would bring it within the Holman rule, the accompanying proposition that the hours of labor be increased from seven to eight was not essential and took it out of the provisions of the Holman rule. A man whose parliamentary knowledge I need not discuss here, the gentleman from Georgia [Mr. CRISP], presiding as chairman of the Committee of the Whole, held that while taken separately it might not contribute to retrenchment, it must be considered in connection with, and as a part of, the accompanying proposition; that the amendment must be considered as a whole, and was therefore in order under the provisions of the Holman rule.

Permit me to refer to another instance. In 1922, in the Sixty-eighth Congress, we were considering the counterpart of this very bill, the War Department appropriation bill. A proposition was made, almost identical with the proposition here, that we limit the number of men which might be provided for. It was provided that certain machinery be created to bring about this reduction—just as the appointment of this board is a part of the machinery here created to bring about this reduction.

The CHAIRMAN. Will the gentleman kindly give the Chair the citation?

Mr. CANNON. It is in the second volume, section 8579.

Mr. Nicholas Longworth, of Ohio, was presiding as Chairman of the Committee of the Whole, and he held—as Chairman CRISP had held before him—that when you consider the machinery by which a retrenchment is to be effected,

you must consider it as a whole; you must consider each item as an integral part.

I shall only trespass on the time of the Chair for one more instance. In the Sixty-second Congress the War Department appropriation bill was under consideration. The bill carried a provision for retrenchment, which included, as a part of the machinery by which that retrenchment was to be achieved, the appointment of an officer with the rank of major general. The appointment was to be made by the President of the United States, just as the present bill provides for the creation of an agency to be appointed by the President of the United States—absolutely on all fours with the proposition now before the House. Mr. Saunders, of Virginia, made a lengthy decision, a very brief portion of which I desire to read to the Chair. He said, in section 8622:

> It is a constructive legislation in which each part bears an appropriate relation to the whole. It is an entity of independent but related parts. It is submitted as a complete legislative proposition. This being so it should be considered as a whole and not in segregated items. The section is presented as a whole, and when considered as a whole conforms to the requirements of the Holman rule, and is therefore in order.

That is precisely the proposition before the House, Mr. Chairman. The bill provides essential machinery for the reduction of the number of officers of the Army, thereby reducing personnel and retrenching expenditures, and as such it is admissible under the Holman rule, and is in order.

Mr. BACON. Mr. Chairman, I want particularly to address my remarks to that part of the point of order directed against the second proviso on page 11, line 10, down to and through line 10 on page 12. I want to reply, in brief, to the remarks made by the gentleman from Missouri on this proviso which sets up a special board to bring about this reduction. It goes further, however, and provides that these officers shall be eliminated because of age, which is an entirely new proposal. The existing law gives the Army the right to-day to retire all class B officers for inefficiency.

Mr. CANNON. Will the gentleman yield?

Mr. BACON. I yield.

Mr. CANNON. I did not hear the first part of the gentleman's remarks, but my impression is that the gentleman objects to providing that certain class officers or officers who reach a certain age, should be retired?

Mr. BACON. My main objection is that this proviso is not at all necessary; and that if a reduction of 2,000 officers is agreed on, they can be eliminated without this proviso. That being the case, it is not necessary to the section.

Mr. CANNON. Does the gentleman hold it would not be in order to offer a proposal here to not provide for the payment of men who had reached a certain age?

Mr. BACON. My contention is that this suggests a special legislative way of retiring officers that is not necessary. Under existing law all class B officers can be eliminated without any further legislation whatsoever. By simply applying the existing law the Army can reduce officers by 2,000 without the necessity of the proviso on page 11, beginning on line 10, which is an entirely new proposition and legislation on an appropriation bill.

Mr. CANNON. Does the gentleman contend as a parliamentary proposition that it would not be in order to insert a provision that pay should be denied men who had reached a certain age?

Mr. BACON. I am not directing my remarks to that at all. I am directing my remarks to the fact that in this bill a special method is set up which is not necessary. Under existing law the Army can carry out to-day a reduction of 2,000 men or whatever number the committee decides upon without the necessity of this special board, as provided on page 11.

Mr. CANNON. The gentleman understands, of course, that I have just cited the opinions of three of the ablest parliamentarians who have ever presided over the Committee of the Whole, Mr. CRISP, of Georgia, Mr. Saunders, of Virginia, and Mr. Longworth, of Ohio, holding such provisions are integral parts of the proposition; but if the gentleman contends that as a separate proposition you can not provide that men reaching a certain age might be retired, I will quote to the gentleman a favorite expression of a former leader on that side of the aisle, Mr. Mann, to the effect that under the rules you can make provision to eliminate the pay of any man who is red headed.

Mr. BACON. I am merely trying to answer the theory of the gentleman from Missouri to the effect that the proviso on page 11 is necessary to carry out the other provisos on page 10. I contend it is not necessary, because under existing law class B officers can be dismissed at the present moment, and the War Department can carry out the directions to cut the Army by 2,000 officers without recourse to the proviso on page 11, which changes existing law as to how officers may be eliminated from the Army.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. BACON. Yes.

Mr. CHINDBLOM. In volume 7 of the new series of Hinds' Precedents, paragraph 8610, the gentleman will find this proposition laid down, as stated in Cannon's Procedure, page 45:

> Provision for reduction of expenditures does not admit accompanying legislation not directly contributing to the reduction and essential to its operation.

In other words, while the Holman rule would permit a reduction in the number of officers in order to reduce expenditures, if, in addition to that mere reduction or retrenchment in expenditures, there is legislation accompanying that reduction which is not necessary for its operation, and which changes existing law without being necessary as part of the general scheme, that is not in order and the Holman rule does not make it in order.

Mr. LAGUARDIA. Mr. Chairman, in direct reply to the point now raised by the gentleman from New York [Mr. BACON], supported by the gentleman from Illinois [Mr. CHINDBLOM], a mere reading of the gist of the ruling just cited by him precludes any application of that precedent to the matter now before the committee. It was there held that any legislation "not essential" for the carrying out of the reduction contemplated, as a part of the general scheme of reduction, was legislation not within the limits of the Holman rule. The proviso could very well set forth any standard by which these men might be eliminated. To repeat the phrase so often used by the distinguished parliamentarian, Mr. Mann, it could have laid down the rule that no salary shall hereafter be paid to any officer having red hair. Conceding that under existing law there is machinery for weeding out class B officers, that does not prevent another standard and procedure to carry out the purposes of this provision being contained in the proviso. In order to carry out the reduction contemplated in the bill now before us a board is created, and it is an integral part of the general scheme of reduction. The method of selection of those to be retired is a part of the provision retiring the officers. It therefore comes squarely within the Holman rule.

May I recall to the Chair that I raised the very point of order that the gentleman from New York is now raising when we had under consideration the independent offices appropriation bill. An amendment was offered by the gentleman from Georgia [Mr. VINSON] to transfer the activities of the Farm Board to the Department of Agriculture. He there provided for the transfer to the Secretary of Agriculture of all of the duties now imposed by law on the Farm Board. I raised that very point of order, that it was new legislation and it was not necessary to the amendment curtailing the number of salaried officials or to the purpose of the amendment then before the committee. The Chair overruled my point of order and held it was an integral part of the amendment, and held the amendment in order.

Now, as to the point of order suggested by the gentleman from Illinois [Mr. CHINDBLOM] that it is not apparent there would be any saving through the proposed amendment to existing law. I will say that a knowledge of parliamentary law is hardly necessary to decide that point. It is a matter of simple mathematics. A reduction of 2,000 officers is not only provided in the total number, but it is provided that after September 30, 1932, a certain number of each grade

shall constitute the maximum officers in that grade, thereby giving the Chair absolute information as to the number of officers in each grade that will be reduced. The bill provides that the officers eliminated shall go on retired pay at 75 per cent of the active pay; and that in and of itself shows a saving of 25 per cent.

If the amendment provided for the retirement of these officers and did not limit the number, then, of course, the Chair would be in the dark as to whether new officers were to be appointed in their places; but the amendment does two things: It fixes the maximum number and it disposes of the number of officers, so that there can be no doubt that there is retrenchment within the meaning of the Holman rule. The provisos in the bill are clearly a saving by the reduction of salaried officers, clearly meeting all the requirements of the rule.

The CHAIRMAN (Mr. LANHAM). The Chair is ready to rule.

The gentleman from California [Mr. BARBOUR] makes the point of order against that part of this paragraph, beginning on page 10, at line 19, and concluding on page 12, in line 20, that it is legislation on an appropriation bill.

The precedent cited by the gentleman from California would seem to the Chair hardly applicable in view of the fact that it had reference solely to a limitation and not to legislation.

The question of whether or not legislation is in order on an appropriation bill has long had bestowed upon it the broadening effect of the Holman rule, a rule which is familiar to all of the membership of this House. This rule provides that on appropriation bills legislation is in order if it has certain well-defined tendencies. For instance, there is this provision—

> Nor shall any provision in any such bill or amendment thereto changing existing law be in order, except such as being germane to the subject matter of the bill shall retrench expenditures by the reduction of the number and salary of the officers of the United States, by the reduction of the compensation of any person paid out of the Treasury of the United States or by the reduction of amounts of money covered by the bill.

Of course, no contention is made that this part of this paragraph is not germane. In the light of existing law, it is clearly a reduction in the number of officers, and therefore in the amounts of money that will be expended by the Federal Government, and on its face does show retrenchment in governmental expenditure.

It has been argued that that part of the paragraph is not in order which sets up an agency and prescribes the method by which the retrenchment shall be effected.

It seems to the Chair that the provision for the establishment of such an agency is but a declaration of the policy that shall be pursued in effecting the retrenchment, and that it is purely ancillary to the general purpose of this paragraph, and should be taken as an incidental matter in connection with the general and main object of the provisions against which the point of order is directed.

One part of this paragraph, which at first gave the Chair most concern, has not been alluded to in the discussion of the point of order.

In a decision made by former Speaker Longworth when he was serving as Chairman of the Committee of the Whole House before his election as Speaker, almost this identical question arose with reference to a proposed reduction of the number of officers, and consequently a corresponding reduction in the amounts of Federal expenditures. This precedent was cited by the gentleman from Missouri, Mr. CANNON, in his remarks, and may be found in Cannon's Precedents, section 8579. In so far as legislation is concerned, with reference to the limitation of the number of officers, clearly, under the Holman rule and under this decision of former Speaker Longworth, such legislation is permitted on an appropriation bill, and under the Holman rule is rather encouraged.

The point of order of the gentleman from California raises the question of whether or not the fact that the stipulation of the date of September 30, 1932, when the provision would become effective, carries the operation of this legislation beyond the period of the fiscal year for which this particular appropriation bill is designed, and would make it such legislation on an appropriation bill as would be permitted under the Holman rule.

In the Holman rule itself no distinction is made between permanent and temporary legislation, because all legislation, unless by its terms temporary, is necessarily permanent until modified or repealed by subsequent legislation; and in looking for a precedent upon which to base a rational conclusion concerning that portion of this paragraph which stipulates that this reduction shall become effective after September 30, 1932, and thereafter be permanent law the Chair has found an illuminating precedent in the second session of the Sixty-fifth Congress, CONGRESSIONAL RECORD at page 3224 (Cannon's Precedents, sec. 8575), when Mr. Saunders, of Virginia, was acting as Chairman of the Committee of the Whole House on the state of the Union. This decision by Chairman Saunders has been cited as authority during this session of Congress by the Chairman of the Committee of the Whole House on the state of the Union in the consideration of the Treasury and Post Office Departments appropriation bills.

In this ruling, which was on March 8, 1918, the legislative, executive, and judicial appropriation bill was under consideration, and the Clerk read this paragraph:

> The Secretary of the Treasury is authorized and directed to discontinue the offices of the Assistant Treasurers at Baltimore, Boston, Chicago, Cincinnati, New Orleans—

And so forth, relating to the abolishment of certain offices; and in the construction of that paragraph Mr. Saunders, of Virginia, said, with reference to the point of order made against it:

> The application of the Holman rule is a matter that has been the subject of many rulings, but it seems to the Chair that the case under consideration, while not entirely novel, presents a somewhat unusual aspect of this rule. In connection with the Holman rule it may be said in a preliminary way that the authorities are agreed that the rule is a wholesome one and therefore proper to be liberally construed. Hence if the question presented is difficult of decision under that rule, the Chair, in case of doubt, should resolve that doubt in favor of an interpretation which will submit the paragraph or amendment under consideration to the judgment of the House, which will thereby be put in a position to pass upon the merits of the substantial questions in issue.
>
> A former Speaker of this body announced the canon of construction for the Holman rule as follows:
>
> "The purpose of the rule is most beneficial and proper, and it should have a liberal construction in the interest of retrenchment."
>
> To the same substantial effect Mr. Chairman CRISP:
>
> "The Holman rule is intended to have a beneficial effect upon the Treasury of the United States. If the Chair is in doubt whether an amendment is in order, this doubt should be resolved against the point of order, for by so doing the Chair works no hardship upon anyone, but submits to the committee itself the privilege of passing upon the amendment. If the committee favor it, then a majority can adopt it. If a majority is opposed to it, then that majority can reject it."

During the present session of Congress, in the consideration of the Treasury and Post Office appropriation bill, previously alluded to, the question also arose on a paragraph of the bill with reference to the abolishment of certain offices in the Bureau of Customs, and this decision made by Chairman Saunders, of Virginia, was cited, and that provision abolishing the offices was held in order on the Treasury and Post Office appropriation bill.

Now, in the light of these decisions, it seems to the Chair that the reduction in the number of officers is no more permanent legislation than that providing for the abolishment of offices. The Chair overrules the point of order.

Mr. BARBOUR. Mr. Chairman, I offer the following amendment.

Mr. McSWAIN. Mr. Chairman, I have a perfecting amendment.

The CHAIRMAN. The Chair can not pass upon amendments until they are reported. The Clerk will report the amendment offered by the gentleman from California.

The Clerk read as follows:

> Amendment by Mr. BARBOUR:
>
> Page 10, line 15, after the colon, strike out the remainder of the paragraph down to and including the word "pay," in line 21, page 12.

On page 8, line 19, strike out "$27,209,927" and insert $21,833,427."

Page 8, line 23, strike out "$8,356,200" and insert "$8,545,011."

Page 9, line 4, strike out "$12,914,948" and insert "$9,447,323."

Page 9, line 14, strike out "$4,648,006" and insert "$6,281,824."

Page 9, line 15, strike out "$5,122,479" and insert "$5,928,384."

Page 9, line 22, strike out "$133,257,790" and insert "$137,421,204."

Page 10, line 1, strike out "$132,457,790" and insert "$136,242,204."

Mr. McSWAIN. Mr. Chairman, I ask that my amendment be read for information. When we come to voting on the amendments, my amendment would be voted on first.

The CHAIRMAN. If there is no objection, the amendment of the gentleman from South Carolina will be reported for the information of the committee.

There was no objection and the Clerk read as follows:

Amendment by Mr. McSWAIN to H. R. 11897: Beginning on line 11, page 11, strike out all that part beginning with the word "convene" after the word "shall" and ending with the word "shortage" on line 17, page 12, and insert the following in lieu thereof: "first select the general officers to be removed from the active list of the Army, and from the general officers remaining on the active list the President shall convene a board of five general officers, who shall select the officers to be removed from the active list in consequence hereof, and the action of such selection board as to the officers to be removed from the active list shall be final: *Provided further*, That any officer may be retired upon his own application if same be filed prior to September 1, 1932: *Provided further*, That the selection by the board aforesaid of the officers to be removed from the active list shall be made solely on the basis of comparative ability, efficiency, and physical fitness, as disclosed by all now-existing efficiency reports and other pertinent official War Department records, and that no removals hereunder shall be made of officers permanently commissioned in the Air Corps or the Judge Advocate General's Department, and that any person who, by any means whatsoever, shall attempt to influence or interfere with the action of said selection board in its work of reduction with respect to the retirement of any officer of the Army, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be subject to a fine of not more than $1,000 or imprisonment for not more than one year, or both, at the discretion of the court."

The CHAIRMAN. By agreement in the House the debate upon this paragraph is limited to 2 hours and 30 minutes, one-half to be controlled by the gentleman from Mississippi [Mr. COLLINS] and one-half by the gentleman from California [Mr. BARBOUR].

Mr. BARBOUR. Mr. Chairman, the amendment which I have offered is the amendment that will restore the 2,000 commissioned officers which the bill cuts out from the officer personnel. I yield five minutes to the gentleman from Georgia [Mr. PARKER].

Mr. PARKER of Georgia. Mr. Chairman, let me say in the very beginning that despite the fact that I have had a number of years of service, that I have worn the uniform of my country as a Regular Army officer, as a reserve officer, and as a National Guard officer, I have never found it necessary at any time or at any place to apologize to anybody for having worn that uniform. I tried to wear it honorably, and I shall not apologize in this House to a professional and fanatical pacifist who calls himself a statesman because of the service that I rendered to my country. [Applause.] Furthermore, I was not a general in the Army of the United States. I was a captain of Infantry. I left my home and my family not because I was drafted and had to go but because I wanted to go. I had passed the age of 32 years and I did not have to register. I volunteered my service. I went to the first officers' training camp. A week before I went to that training camp I never thought that I would have any service in the Army. It never occurred to me that I would be a soldier, but 30 days after war was declared by my country I volunteered, went to the first officers' training camp, came out a captain of Infantry, and served all during the war as a captain of Infantry. [Applause.] While I was doing that I spent 14 months in Europe, having left three little children, the oldest of whom was 5 years of age and the youngest less than 8 months old. I ask the gentleman from Texas what he was doing when I was in France?

Mr. BLANTON. I was doing what the gentleman is doing now, trying to serve my country here, and in doing so I was under specific orders from President Wilson, my Commander in Chief, which I will insert at the end of the gentleman's remarks.

Mr. PARKER of Georgia. Furthermore, I have never yet had to come here and defend my right to sit among my colleagues in this House in a seat to which I was elected by my people.

I did not ask the privilege of the floor for the sole purpose of replying to the gentleman from Texas [Mr. BLANTON], but I have said this much in view of the unkind things that he saw fit to say of me.

With reference to the hearings that he has had before the Committee on Military Affairs on House Resolution 355, he has had the indulgence and the consideration of the committee. I think he has had not less than six hearings, and I did object in the last hearing we had, because we have gone there not less than six times and taken up practically the whole day and the time of 21 Members of Congress in considering the resolution which he has introduced, and we have not yet considered a single, solitary feature of that bill that amounts to anything.

Mr. BLANTON. Mr. Chairman, I make the point of order.

The CHAIRMAN. The gentleman will state it.

Mr. BLANTON. Under the unanimous-consent agreement had before we went into the committee, we provided for three hours of debate upon this matter, debate to be confined to the bill. When I was trying to tell what happened before the Committee on Military Affairs the gentleman from Georgia [Mr. PARKER] prevented me from doing so on points of order.

The CHAIRMAN. The gentleman will state his point of order.

Mr. BLANTON. The point of order is that he is not discussing the bill and not keeping within the rule. If he will permit me to answer him as to what occurred in the committee, I have no objection, but I don't want him to go into it when he would not let me go into it.

The CHAIRMAN (Mr. BROWNING). The point of order is well taken in so far as the gentleman is not discussing the bill is concerned. The gentleman is entitled to proceed in order and discuss the paragraph or any amendment thereto.

Mr. PARKER of Georgia. Mr. Chairman, I have a telegram received this morning from a Mississippian. It is from the commanding general of the Thirtieth National Guard Division, composed of troops from Georgia, North Carolina, South Carolina, and Tennessee.

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

Mr. BARBOUR. Mr. Chairman, I yield the gentleman two minutes more.

Mr. PARKER of Georgia. Among other things this telegram reads as follows:

ATLANTA, GA., *May 10, 1932.*

HOMER C. PARKER, *M. C.*,
House of Representatives, Washington, D. C.:

Guardsmen and reserves who actively operate national defense act need the training given them by trained Regular officers to give them that chance for preservation of life and limb in a national emergency that adequate training absolutely guarantees. Furthermore, such careful training under Regular officers potentially decreases the number of homes throughout the country that will be thrown into bereavement and mourning as a direct result of elimination of trained officers required to supervise and assist in operating national defense act. The division stands solidly behind the unselfish pronouncements of those experienced veterans, the honorable Secretary of War and the scholarly Chief of Staff who are begging for protection and preservation of lives of citizens that adequate training personnel provides.

As a native-born Mississippian, I am proud of Mississippi's conspicuous part in the World War. Pershing's chief of operations, Gen. Fox Conner, and his senior aide, Colonel Quackamyer, were Mississippians; three division commanders were Mississippians; one of the first field officers killed in action, and one of the first enlisted men decorated for bravery were Mississippians. Mississippians served in action under the present Chief of Staff and in other divisions. They shed their blood on practically every battlefield in France. They know the great value of training and skilled leadership. I state unhesitatingly, by the firm conviction, that Mississippi supports the national defense act. I speak authoritatively, not only as a registered voter but as the grandson of a former chief justice and as the son of a mother who has been accorded the honor of fostering the first State-supported college for women in the whole United States. Their potraits are in the Mississippi hall of fame. If I have misquoted the senti-

ment of the great Thirtieth Division, the adjutants general of the States to which it is allocated will take issue with me. Furthermore, if I have misquoted the veterans and citizens of Mississippi regarding their attitude toward adequate defense measures created in part on advice and wise counsel of fellow Mississippians, I shall expect the disapproval of the press of the State and I invite such condemnation as her Representatives in Congress may see fit to express. Jefferson Davis, Stephen D. Lee Walthall, George Barksdale, and others, of course, knew nothing of mechanization, nor were they skilled in the use of pick and shovel, but they applied the knowledge tactically in trench building to save the lives of their Mississippians and to spare bereavement to the homes they represented. The unselfish spirit of service demonstrated by Lee, Jackson, Grant, Sherman, and others still pervades those who are actively operating the national defense act and that spirit should not be crushed.

EPHRAIM G. PEYTON,
Commanding Thirtieth Division; a Mississippian.

Mr. Chairman, much has been said of the relationship of Army officers and enlisted men with respect to their numerical strength. The most casual study of the present system of our national defense and employment of the officer personnel of the Regular Army will convince even the most skeptical that a proper number of regular officers bears, and can bear, no direct relation to the number of enlisted men of the Regular Army. While it is true that in a division there is a well-established relationship between the number of officers and the number of enlisted men, that relationship can not be applied to our peace-time establishment. Is our Regular Army merely a small body entirely separate and distinct from the other elements making up our defensive system? No. It merely constitutes the framework upon which the whole is hung. Regular Army officers are called upon to perform all manner of duties besides the command of troops of the Regular Army. There is the administration of the supply system for food, clothing, arms, and ammunition; the planning for war-time procurement; sanitation and hospitalization systems; the planning for mobilization; research into means and methods of modern warfare; the instruction and administration of the National Guard, the Organized Reserves, the Reserve Officers' Training Corps, and the citizens' military training camps; the conduct of the service schools, including the Military Academy, the various branch schools, the Command and General Staff School, and the Army War College. The necessity for these schools was firmly established during the World War, and their necessity continues as a means of keeping the officer personnel abreast of the advances in means and methods of warfare. Besides these duties, many officers are employed in various civil activities, assigned to the War Department by law.

On mere numbers alone the officers of the Regular Army exercise supervision over the training, administration, and supply of the following:

Enlisted men, Regular Army	118,750
Philippine Scouts	6,500
National Guard	187,000
Organized Reserves	108,000
Reserve Officers' Training Corps	127,000
Citizens' military training camps	37,500
Total	584,750

This figure, compared to the 12,037 average of Regular Army officers last year, gives a relationship of 48.5 trainees per officer.

A table appended shows clearly the employment of the officers of the Regular Army and the fallacy of attempting to apply a percentage to the relationship between officers and men.

A second table shows the effect upon the civilian components of the proposed reduction of Regular Army officers.

EXHIBIT A

Regular officer distribution, September 30, 1931

Administrative:		
War Department	525	
Corps areas	337	
		862
Service installations:		
Military attachés	32	
Recruiting	99	
Development, supply, and finance	810	
Sanitation and welfare	926	
		1,867
Civilian components:		
National Guard	466	
Organized reserves	472	
Reserve Officers' Training Corps	715	
		1,653
Schools:		
Staff and faculty	810	
Students	1,379	
United States Military Academy	206	
		2,395
Civil duties:		
Public works	164	
Other civil government	104	
		268
Overseas garrisons:		
Philippine Islands	619	
Hawaii	761	
Panama	384	
Others	112	
		1,876
Troops in United States:		
Mobile forces	2,980	
Seacoast defenses	175	
		3,155
Miscellaneous temporary assignments		57
Total		12,133

EXHIBIT B

Table showing enrollment in civilian components, Regular officers employed, and change effected by a reduction of 2,000 officers

	Enrollment	Regular officers now employed	Enrollment per officer	Enrollment per officer in event of reduction
National Guard	187,000	466	402	804
Organized Reserves	108,000	472	229	458
Reserve Officers' Training Corps	127,000	[1] 818	155	310

[1] Includes 102 retired officers.

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

Mr. PARKER of Georgia. Mr. Chairman, I ask unanimous consent to revise and extend my remarks to include the balance of this telegram.

The CHAIRMAN. Is there objection?

Mr. BLANTON. Mr. Chairman, reserving the right to object, and I shall not object, notwithstanding the fact that the gentleman objected to my extending my remarks—I never object to any Member extending his own remarks.

Mr. SNELL. Mr. Chairman, regular order.

Mr. BLANTON. I, for one, shall permit the gentleman to extend his remarks.

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

There was no objection.

Mr. BLANTON. Under my leave to extend, I insert the following to show that I was under the orders of my Commander in Chief:

WASHINGTON, D. C., *May 22, 1917.*

To the PRESIDENT OF THE UNITED STATES.

MY DEAR MR. PRESIDENT: If I can be used at the front, I stand ready to serve my country. When the question was before the House, I voted to increase the maximum age limit to 45, so that I would be included. I likewise voted to subject Members of Congress to the selective draft, in order that I would not be excluded. I am willing to waive my age and position.

My father enlisted as a Confederate soldier at the age of 16. My great-grandfather, William Walker, of Cumberland County, Va., had the privilege of fighting for his country in the Revolution. My mother's uncle, James Monroe Hill, was a veteran of San Jacinto. My oldest son is not 17, but will be ready to respond when the call of his country makes it necessary.

I stand ready to obey your orders should my services be needed and you should see fit to call on me.

With much respect, I remain, very sincerely yours,
THOMAS L. BLANTON.

I received the following reply:

THE WHITE HOUSE,
Washington, May 23, 1917.

Hon. THOMAS L. BLANTON,
House of Representatives.

MY DEAR MR. BLANTON: Your letter of May 22 does you great honor. I do not wonder that you feel as you do, and yet I want very earnestly to remind you that we are now engaged not merely in creating an army but also in mobilizing a nation to perform

all its functions at the highest pitch of efficiency. Surely in such circumstances it is just as much a man's duty to stay at a post such as you have been assigned to by your constituents as it is for a man to volunteer for an army. I take that view of it with the greatest confidence.

Cordially and sincerely yours,

WOODROW WILSON.

Mr. WRIGHT. Mr. Chairman, I yield five minutes to the gentleman from Indiana [Mr. WOOD].

Mr. WOOD of Indiana. Mr. Chairman, I am reminded of the very sad experience which we had when the Economy Committee presented its bill for the consideration of this committee. In that bill we proposed a saving of practically $260,000,000. By reason of the influence of various groups and individuals interested against the various provisions of that bill—and they were all controversial—it went out of this House with a bare saving of $32,000,000. I am fearful, because of that experience, as to what may happen to this measure.

I wish now, at the outset of this discussion, to call the attention of the committee to the fact that if the amendment proposed by the gentleman from California is adopted, it will add to this appropriation $4,000,000. On the other hand, if it is not adopted, it will result in a saving for this next fiscal year of $4,000,000, and for each year thereafter $20,000,000. [Applause.]

The President of the United States has been quoted time and time again with reference to whether he was or was not in favor of certain provisions of our economy bill, and he has likewise been quoted with reference to this bill. For the purpose of ascertaining his position I called on the President this morning, and he authorized me to say to this committee that he expected and hoped and desired that this bill, when it leaves this House, will carry the reduction of $24,000,000 that is proposed by the committee. [Applause.]

Mr. BARBOUR. Will the gentleman yield?

Mr. WOOD of Indiana. I yield.

Mr. BARBOUR. I would say to the gentleman that we can restore these military activities to the bill, and save more money, if the gentleman will go along on some other amendments which will be offered later.

Mr. WOOD of Indiana. Here is the best place in the world to commence, for right here is where we can save $4,000,000 and not reduce the efficiency of the Army one iota.

True to form, the Army, the greatest lobbying group in all the United States, is trying to hold on to all it has. There has never been a time since the war but what they have been before this body in every session, resisting every attempt to take away from them something, no matter whether it was good or bad.

You gentlemen who were here directly after the war, when we were trying to get some of the automobiles away from them to distribute around among the various departments where automobiles were needed, will remember that we could not get them to give up a single machine, and they were standing around by the thousands at Perryville, Holabird, and other places, going to wrack and ruin, and Congress had to pass a bill to force them to give them up.

Another illustration: Some time ago, by reason of the increased crime in this country and increased demand for penitentiaries and prison camps, the Committee on Appropriations asked the War Department to give up Camp Eustis for a prison camp. General Summerall, then Chief of Staff, absolutely refused to consider it, notwithstanding the fact it was of no use whatever at that time for the Army. Why did they not do it? Because, he said, "We will need it in case of another war."

One of the greatest mistakes we made was in spending millions that were spent in buying great tracts of land for fortification purposes during that war. We should have commandeered them for the period of the war, paid what it was worth, and then turned them back to the owners thereafter. Happily, by reason of the action of the President, an order was issued by him to the War Department to turn over Camp Eustis to the Department of Justice in order to save millions of dollars to the Government of the United States for prison purposes, and it was done.

These are but few of the illustrations that I might give, and you can not tell me that 5,000 American officers are not as good as 5,000 English officers; yet, while 5,000 English officers are officering the army of England, here we have 12,000 for the same purpose.

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

Mr. BARBOUR. Mr. Chairman, I yield five minutes to the gentleman from Oregon [Mr. MARTIN].

Mr. MARTIN of Oregon. Mr. Chairman, my distinguished colleague, the gentleman from Indiana [Mr. WOOD], has been harping on the fact—where he got his information is a mystery to me—that the British officered their army with 5,000 officers. The correct figures are that in the Royal British Army, under the Crown, there are, exclusive of air officers, 12,120. In the Royal Air Service there are 3,353, of which 2,000 are assigned to the army. That is the portion of the British Army which is under the Crown. In the Dominion Army in Canada there are 581 officers.

In India there are 5,109. In Australia there are 431. In New Zealand there are 110. In South Africa there are 298. In the Irish Free State there are 500. Those are the regular officers. In addition to that, corresponding to our National Guard, they have their territorial troops. In view of that it is hard for me to understand why this misrepresentation should continue on the floor. But it is not confined to that. You have been led to believe the misstatements made that the 12,000 Regular Army officers we have are for 118,000 enlisted men. That is far from the truth. Any well-informed Member of this House should know better than that.

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

Mr. MARTIN of Oregon. I yield.

Mr. SCHAFER. Is it not a fact that the Army of France, a country which is too poor to pay even interest on the principal of a greatly shaved war debt, has over 32,317 officers in its regular army?

Mr. MARTIN of Oregon. That is true. We maintain this Army of ours to fight. The general officers of our Army are highly educated. Behind our first line of defense, which is our Regular Army and our National Guard, is the National Army, our great citizen army that will be mobilized in case of war. To provide the officers which are so essential to an army it is necessary that we have the extra activities of the Organized Reserves training in our schools, citizens' military training camps, and various similar activities.

I am not going to go into all that detail, but I ask unanimous consent to put it in the RECORD.

The CHAIRMAN. Is there objection?

Mr. BLANTON. I shall not object, Mr. Chairman.

Mr. MARTIN of Oregon. I thank the gentleman.

There was no objection.

Mr. MARTIN of Oregon. My friend here makes it appear that if you vote to reduce these 12,000 officers, it will cause the promotion of juniors, if you cut off these 2,000 officers. As a matter of fact, it will mean stagnation in the Army, because by cutting off these 2,000 men you rob the juniors of 2,000 opportunities for promotion. It will not mean promotion for the junior officers. It will deaden promotion in the Army.

If you cut off those 2,000 officers, you will withdraw 150 officers from the National Guard, 153 officers from the Organized Reserves, 172 officers on duty with Reserve Officers' Training Corps, 257 officers from special service schools, where they get special training, 110 officers who are students at general service schools, 107 instructors at service schools, 21 instructors at the United States Military Academy, and 42 from the recruiting service, or it will be necessary to withdraw 1,000 officers that are now on duty with the civilian components. We hear very much about General Staff officers in Washington holding the equivalent of $1,800 jobs. The most essential thing to a modern army is a highly educated, technical general staff, and we have 100 highly trained

officers here in Washington, aside from those at the War College, doing general staff work.

It must be emphasized and reiterated that the function of the commissioned personnel of the Regular Army is much more comprehensive than the command of the enlisted organizations of the Regular Army, important as is this function. The national defense act of 1920 definitely adopted one of the two alternatives requisite in the solution of the ever-present problem of reasonable provision for national defense. Rather than to require universal military training or a conscripted standing Army, it adopted the clear-cut policy of providing the machinery for the military training of a portion of our citizenry without diverting them from their regular civilian activities; in other words, it vitalized the National Guard, the Officers' Reserve Corps, the enlisted reserve corps, the Reserve Officers' Training Corps, and the system of citizens' military training camps. The Regular Army officers constitute the essential and indispensable nucleus for this training.

The national defense act of 1920 in visualizing the importance of this function provided for approximately 18,000 commissioned officers. This strength has already been reduced by law to a maximum of 12,402, and the limitations of the annual appropriations have reduced the actual average strength to 12,000. The War Department realizes the extreme importance of the duty devolving upon it under the national defense act and is zealously seeking still to discharge all of these functions to an effective degree, notwithstanding the reduced facilities which have been accorded to it. The minimum number of officers requisite for a reasonably satisfactory accomplishment of these functions is slightly over 14,000. Any reduction, whether it be 1,000 or more or less, from the present strength will seriously disrupt the existing organization and further menace our already gravely weakened preparation for national defense. It will necessitate a curtailment of the training activities above referred to, will make it impossible to maintain the small balanced mobile force necessary for emergency, will involve the discontinuance of the active manning of some (possibly all) of our seacoast defenses at vital points, will prevent the maintenance of adequate garrisons overseas, and will impair the adequate training of officers themselves.

EFFECTS OF REDUCING THE AUTHORIZED NUMBER OF ARMY OFFICERS TO 11,000

The present authorized commissioned strength of the Army is 12,402, and its actual strength on March 31, 1932, was 11,975. This number is not sufficient to carry out the purposes of the national defense act. To reduce it to 11,000 would necessarily force a drastic curtailment of many important activities to an extent which would seriously handicap the operation of the present system of national defense. A preliminary survey of the situation indicates that the following reductions in the number of officers now assigned to the duties mentioned below would have to be made:

Activity	Number of active officers to be withdrawn	Per cent of present number
Duty with National Guard	150	35
Duty with Organized Reserves	153	35
Duty with Reserve Officers' Training Corps	[1]172	35
Students at special service schools	257	35
Students at general service schools	110	35
Instructors at service schools	107	25
Instructors at U. S. Military Academy	21	10
Recruiting duty	[2]42	50
Total	1,012	

[1] 102 retired officers also withdrawn.
[2] 20 retired officers also withdrawn.

A consideration of the foregoing tabulation shows the following:

NATIONAL GUARD

More than one-third of the Regular Army officers now engaged in assisting in the training of the 12,000 officers and 175,000 enlisted men of the National Guard would be withdrawn.

ORGANIZED RESERVES

The Organized Reserves, containing 103,000 reserve officers, will be the principal reliance for commissioned personnel in the event of a national emergency. More than one-third of the Regular Army officers who are now assigned to the instruction and training of this force would be lost.

RESERVE OFFICERS' TRAINING CORPS

The Reserve Officers' Training Corps, with a strength of 127,000, is the principal source of replacements for the Officers' Reserve Corps. Not only would 172 of the active Regular Army officers who are now on duty with this activity be withdrawn but the services of 102 retired officers would also be lost.

ARMY SCHOOL SYSTEM

Four hundred and seventy-four officers would have to be withdrawn from the Army school system, including the general and special service schools. It is in this school system that regular officers receive that theoretical instruction in modern warfare which is so essential to the maintenance of their efficiency and their ability to perform their rôle in national defense.

UNITED STATES MILITARY ACADEMY

The instructing personnel at the United States Military Academy would be reduced by 21, with a resulting harmful effect upon the efficiency with which that institution can be conducted.

RECRUITING SERVICE

A loss of 42 active and 20 retired officers from the force now engaged in recruiting duty would seriously cripple that activity.

Mr. WRIGHT. Mr. Chairman, I yield five minutes to the gentleman from South Carolina [Mr. McSWAIN].

Mr. McSWAIN. Mr. Chairman, if my amendment, which proposes to favor officers on the basis of their relative efficiency rather than the arbitrary standard of age, is agreed to, I will support the bill. [Applause.]

It is manifest that the measure of age is no test as to the efficiency or efficacy of anyone, in the Army or out of it. Army officers are rated in three groups, satisfactory, excellent, and superior. If you take 2,000 officers out by an arbitrary, indiscriminate line the assumption is that you will take out one-third of the 2,000 who are superior, one-third who are excellent, and only one-third who are merely satisfactory, which is the bare passing mark to escape the B Board. It seems to me, then, too obvious for argument that in this particular the amendment ought to be agreed to.

There are two other features in my amendment that I must hurry briefly to call your attention to. First, it excludes from this removal proposition every officer of the Air Corps, irrespective of any discretion in the chief, as is proposed by the bill. The Air Corps is already 393 officers below authorized strength. Anybody who thinks a moment realizes the great importance of that new weapon of war. We must fill that up as soon as possible.

The next suggestion of my amendment is that the officers of the Judge Advocate General's Corps shall also be excluded from the operation of this provision of the bill. The other day when the matter first came up a gentleman sitting right behind me, when attention was called to the fact that the bill that is pending would take out 50 of the 84 officers in the corps of the Judge Advocate General, made a derisive remark to this effect: "Do these lawyers fight?"

No; they did not fight, but let me tell you, Members of Congress, that they are a very important factor of this department of the Government. Of the 84 in that department, all but 5 had civilian practice before they were commissioned in the Army. They were lawyers like you and me. They have most important problems to pass upon. They pass upon all legal questions with reference to insular affairs; all legal questions with reference to the Panama Canal; all contracts for supplies; all purchases of real estate and the sale of real estate; the leasing, by contract, of warehouses and Army bases; and last—and I call your especial attention to this—the review and consideration of the administration of military justice. I submit to you that a

lawyer who has practiced law in our civil courts is better prepared to administer military law with civilian justice than a lawyer who has never practiced except in the military courts. If you take these lawyers out, they will be supplanted by officers transferred from the line who have never tried a case in the civil courts, who have been in the Army all their lives, have the militaristic point of view; and they are not able to properly appreciate the point of view that you and I realize is so indispensable in the sane administration of military justice. [Applause.]

These officer lawyers who were lawyers in civil life before entering the Army will and do temper military justice with civilian mercy.

The purpose of my amendment is to meet, as far as possible, the present demands of economy, and ultimately to promote the efficiency of our defense forces. The proposal to reduce the line officers and to make the reduction upon the basis of efficiency and fitness, rather than the arbitrary basis of age, ought to meet the two requirements of economy and efficiency. If conditions are not improved, when we come to consider the appropriation bills next year, we may then find it necessary further to reduce in other items the expenses of the Army. If conditions shall have improved, and we sincerely hope they shall, then we can reasonably expect to increase the strength of the Army, by filling up the Air Corps, and otherwise.

My amendment proposes to exclude the Air Corps from any reduction whatsoever, for the reason that the Air Corps is now 393 officers below its authorized strength, as contemplated by the 5-year program. There may be relatively inefficient officers in the Air Corps, but if there are, they will automatically eliminate themselves. We have now more than 600 graduates of the flying school, all of whom are well trained and qualified pilots, but they can not be commissioned in the Air Corps because all vacancies heretofore existing on the promotion list have been filled by the graduates from the Military Acadamy.

I hope that it will be possible soon to take into the Army enough graduates of the flying school to complete the authorized strength of the Air Corps, and also to commission some enlisted men from the Army, and choice graduates of recognized military schools and highly qualified young men from the National Guard, as contemplated by the national defense act.

The method proposed by the bill of removing the older officers in each of the respective grades is purely arbitrary, and will not permanently relieve the "hump," and will not bring about a gradual and uniform flow of promotion in the Army. There will be a temporary advancement in each of the grades to take the places of the older officers eliminated, but by eliminating these older officers you will remove the very class of officers who would first be retired either for disabilities incident to age or by reaching the age limit. Also, to remove by the arbitrary fact of age will mean that at least two-thirds of those removed are superior and excellent officers. Officers are classified as superior, excellent, and satisfactory, and those classified as unsatisfactory are eliminated by the class B route. It is a fair assumption that of a given 2,000 officers one-third are superior, one-third are excellent, and one-third satisfactory. My proposal to remove by the standard of efficiency and merit, as disclosed by existing War Department records, would preserve to the service all superior officers and all excellent officers and eliminate only those who made the passing grade of satisfactory.

My amendment also proposes to exclude from removal the officers in the Department of the Judge Advocate General. The 84 officers in this department are all former lawyers practicing in civilian life, with the exception of 5 who have been transferred from other branches of the service. These law officers have a very responsible task. Their opinions control the action of the War Department in all insular matters, such as the Philippine Islands, Hawaii, and Porto Rico; in the Panama Canal matters; in all matters relating to the purchase and sale of real estate and the leasing of real estate, including warehouses; and also in reviewing judgments of courts-martial in the administration of military law. I submit that it would be a most serious mistake to deprive the War Department of the services of these seasoned and trained lawyers and to fill up that department with line officers transferred into the Department of the Judge Advocate General without any previous experience or training in civil law. Thus the War Department would be almost at the mercy of skillful and able lawyers representing private interests against the Government.

We Members of Congress who do not understand nor fully sympathize with the militaristic attitude of officers who, while still boys, were taken into the military system would contemplate with indignation and disgust the administration of military justice by officers of this type. The present personnel of the Judge Advocate General's Department, being lawyers with experience in civil life, can and do temper military justice with civilian mercy. These officers do not become inefficient with age. They are not subjected to the rigors of field service; they should be well able to serve the Government until they are 64 years old. I think one of the best lawyers at my home bar is over 70 years of age and still does as much work as he ever did.

My amendment proposes that the President shall select the general officers to be removed. The committee bill contemplates that the general officers shall select which general officers shall be removed. It may well be that some of the general officers on the board convened under the provisions of the committee bill should be removed, but it is not human to expect that they would remove themselves.

The board, under my amendment, is limited absolutely to five of those general officers to remain after the President has selected those to be removed. A board of more than five would be too large for efficient service. Centralize power and localize and individualize responsibility and we will get quicker and better service.

My amendment permits any officer to be retired on his own application prior to September 1, 1932, and I have heard that there are several officers who would gladly avail themselves of this privilege, and probably there are many who would. All these provisions of my amendment contemplate higher efficiency, so that a reduced number of personnel will, on the average, accomplish more work.

Then, finally, my amendment proposes to protect the board of five general officers against interference and undue influence. Some may argue that my proposal to eliminate on the basis of efficiency ratings and physical fitness, as shown by the records in the War Department, may lead to favoritism. The records are now in the War Department and can not be altered. When five general officers gather around a table, with the records in front of them, it is not humanly likely that all five officers will agree at the same time to an unfair and an illegal thing by ignoring the records. But my amendment proposes to erect a criminal barrier against those, whether in the Army or outside, whether in Congress or outside, who shall seek to project any influence whatsoever into the deliberation of that board.

The general officers should understand that this penal proposal is not aimed at them, but is aimed for their protection from annoyance, from irritating interference, and time-taking interviews and correspondence. If I were to be on the general board, I would thank Congress to save me from these annoyances.

If my amendment as to the method of selecting the officers to be removed be agreed to, I will then, in this emergency, vote for the reduction of 2,000 line officers. When economic conditions improve, it will then be our duty, first, to fill up the Air Corps from the choice graduates of the flying school. Next, we should give a real opportunity in fact for able young men to rise from the ranks, and from the National Guard, and to honor graduates from our best military schools and colleges.

Mr. BARBOUR. Mr. Chairman, I yield five minutes to the lady from California [Mrs. KAHN]. [Applause.]

Mrs. KAHN. Mr. Chairman, this section in this bill seems to me to be a deliberate attempt to weaken our national defense. The preamble of the Constitution says, among other

things, "to insure domestic tranquility and to provide for the common defense, we do ordain and establish this Constitution."

There are some economies which are far more expensive than any extravagances, and any attempt to weaken our national defense is one of these economies.

The military policy of the United States from the beginning of the Revolutionary War down to and including the declaration of war against Germany in 1917 was characterized, first, by the entrance of the United States into the war without an army with which to fight the war; second, the organization and development of the war army during the progress of the war; and third, the breaking up of the war army immediately following the conclusion of the war.

In 1916 the first step was taken to enunciate a comprehensive military policy based purely upon American principles, and only in the national defense act in 1920 do we have for the first time a well-developed and well-planned military policy, which for all time we had hoped would insure domestic tranquillity and provide for the common defense. The act of June 4, 1920, provides the machinery for the national defense. It provides a plan which is adequate, fully comprehensive, and effective. It provides for an army whose character is defined by its three components, a small Regular Army, a National Guard, and an Organized Reserve. In peace times these national defense organizations are highly skeletonized, only the bare framework being in existence, but the plan provided by the act of June 4, 1920, was so perfected that every part of the skeleton fits into its appointed place and can be expanded in the most orderly manner and with comparatively little delay. But how are we living up to the provisions of the national defense act? Congress, given this comprehensive and adequate plan for the national defense of this great country of ours, has not carried out the full provisions of the act, but has pared and scraped, economized, and cut down, and the present Congress threatens to further weaken this arm of our defense beyond repair.

Let us live up to the provisions of the national defense act, for who can tell when the crucial time may come that this deliberate weakening of our whole scheme of defense may spell the difference between victory and defeat? Not only from without but from within should we build up a scheme of defense.

The following letter, which is in this morning's RECORD, was written to Hon. JAMES L. WHITLEY by Gen. Douglas MacArthur, Chief of Staff, in answer to a query of his, and in order to call it again to the attention of the House I am going to read it here:

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF STAFF,
Washington, D. C., May 9, 1932.

Hon. JAMES L. WHITLEY,
House of Representatives.

MY DEAR MR. WHITLEY: Replying to your inquiry wherein you ask if any reports have been received at the War Department in reference to communistic meetings in your district, I beg to advise you that the following message has been received in reference to a meeting held Friday evening, May 6, showing that the communists of that section are taking an active part in fighting the pending Army appropriation bill. I give you the message in full, as follows:

"Smith Street communist meeting held Friday evening, May 6, was jubilant at the prospect of probable cut in military budget.

"Miss Gertrude Walsh (Welch) addressed the meeting and urged the sending of more fictitious telegrams signed Jones, Wentworth, Adams, Brown, Douglas, etc., to Members of Congress.

"Communists here are preparing special posters showing red flag of victory to celebrate the destruction of the Army of the United States."

Very sincerely yours,

DOUGLAS MACARTHUR,
General, Chief of Staff.

[Here the gavel fell.]

Mr. WRIGHT. Mr. Chairman, I yield five minutes to the gentleman from Alabama [Mr. HILL]. [Applause.]

Mr. HILL of Alabama. Mr. Chairman, the gentlewoman from California says that in her judgment this effort to reduce the officer personnel of the Army by some 2,000 is a deliberate blow at the national defense. I very sharply disagree with that opinion, and I believe that if this House will adopt the amendment offered by the gentleman from South Carolina [Mr. MCSWAIN] and reduce the officer personnel by some 2,000 it will take a great step in behalf of the efficiency and the morale of the Army and consummate a wonderful movement toward the improvement of the defense of this country. [Applause.]

There are three things, gentlemen, which make up the morale of the officer and make for the efficiency of your Army. First, promotion; second, pay; and, third, housing. Of these three elements the one which contributes most to the morale is promotion. If you hold out to a man the hope of reward through advanced rank, he is willing to undergo all kinds of privations and all kinds of hardships, but if you close to him the door of advancement, the opportunity for promotion then and there you stifle and kill his morale. The removal of some 2,000 officers from the present officer list of the Army would remove the stagnation which now exists on that list, and would remove the impediments which prevent a normal flow of promotion in the Army.

Some time ago the Secretaries in charge of the different departments of our national defense appointed what is known as the Interdepartmental Pay Board. This board had as its chairman and representative from the Army Brig. Gen. G. S. Simonds, a member of the General Staff.

This board made a thorough and a complete study of the promotion list of the Army and of the opportunities for promotion offered to the individual officer. It made a most illuminating report in which it called attention to the fact that some one-half of the officers now on the promotion list of the Army came into the Army within a period of less than 18 months, and that nearly all of these officers are about the same age. Under normal conditions the admission of this large number of officers should have covered a period of some 15 or 20 years. As a result of all of these officers coming in within so short a period of time, and of all of them being about the same age, this interdepartmental board says that there has come about a disastrous effect upon the morale of the Army and that this condition has a direct influence on the efficiency with which the Regular Army can be expected to fulfill its mission in national defense. The board goes on to say that not only does this condition seriously impair the efficiency of the Army, but that it will entail constantly increasing cost upon the Government and the Treasury. Then it concludes by saying that there must be compulsory removal of a number of officers if we are to have the morale in our Army that we must have to have effective and efficient national defense. [Applause].

[Here the gavel fell.]

Mr. COLLINS. Mr. Chairman, I yield the gentleman from Alabama two additional minutes.

Mr. MCMILLAN. Will the gentleman yield? I would like to ask the gentleman whether they are promoted by efficiency or by seniority?

Mr. HILL of Alabama. To-day, the officers are promoted by seniority. They go up by seniority and efficiency does not enter into promotion.

The finest statement I have ever heard before your Committee on Military Affairs during my term of some eight years on that committee was a plea by that great soldier and splendid gentleman, General Summerall, for the Congress to do something to relieve the Army of this stagnation in its promotion lists, a plea by General Summerall to you, through your committee, to eliminate if need be these officers and to bring about that normal flow of promotion which we must have if we are to have an efficient army in this country. [Applause.]

For days and for weeks your committee has in the past held hearings on this question and, always, the hearings inevitably led your committee to the conclusion that there was but one thing that could be done and that was to remove some 2,000 officers from the promotion list. [Applause.]

If you, in your personal contacts, will talk to individual officers in the War Department, talk to them in confidence, there is scarcely one of them who will not tell you that the

great detriment to the Army to-day is the stagnation in promotion, and that the Army has at least 2,000 officers who ought to go off of the promotion list. [Applause.]

[Here the gravel fell.]

Mr. CLAGUE. Mr. Chairman, I yield five minutes to the gentleman from Michigan [Mr. CLANCY].

Mr. CLANCY. Mr. Chairman, I have always been an advocate of adequate national defense and, therefore, I am opposed to cutting off the heads of these 2,000 officers; I am opposed to the very severe slashes in the appropriations for the reserve officers and for the citizens' military training camps and for the Reserve Officers' Training Corps.

Of course, our primary danger is from the outside, from a foreign enemy that might attack, but I wish to emphasize that we to-day face domestic dangers. In my city, I was caught in a riot of communists and I saw 1 or 2 fellows, unarmed, attack 8 or 10 policemen who had clubs and were armed.

When I have 150,000 men in my city who have been out of work for nearly two years and who have 700,000 women and children dependent upon them who are absolutely desperate, I would not be a bit surprised to see street fighting in my city next winter, unless times improve, on a scale such as you have seen it in some of the Russian cities.

When you train these high-school boys in the citizens' military training camps and when you train your college boys in the Reserve Officers' Training Corps camps, and when you take the men of middle age who are in the Reserve Officers' Corps and give them training and give them lectures in patriotism and fortitude, you are building up a line of defense against forces in this country which are a real menace.

I have attended these camps in Michigan. We have 3,000 reserve officers. We have 1,600 at the citizens' military training camp at Battle Creek, and we have 3,300 applications. These boys and youths can not afford to take this training unless they get some assistance from the Federal Treasury.

Mr. MARTIN of Oregon. Will the gentleman yield?

Mr. CLANCY. I yield to the gentleman from Oregon.

Mr. MARTIN of Oregon. Does the gentleman realize that, under this bill, the great cut of 2,000 officers are the fine emergency officers that we had in our training camps at the outbreak of the war, and also the old noncommissioned officers in the Army at that time and have spent their lives in the service?

Mr. CLANCY. That is why I am against that provision.

Mr. MARTIN of Oregon. I have noticed on this floor a tendency to minimize the service of officers. I am afraid some of our Members think only of the enlisted men. Is the gentleman familiar with the losses in battle during the World War?

Mr. CLANCY. No; but I would like to have that list.

Mr. MARTIN of Oregon. I will give it to you. These are the battle losses of the American Expeditionary Forces. This is the list of the killed and those who died of wounds per 1,000 engaged:

Enlisted men, 24.5 per cent; emergency officers, 21.6; regular officers, nongraduates, 25.7; regulars, graduates of the United States Military Academy, 42 per cent.

The heaviest losses of the war in any grade were first lieutenants, graduates of the United States Military Academy, 195.1; captains, graduates of the United States Military Academy, 54 per cent; enlisted men, 24.5.

Mr. CLANCY. The gentleman from Oregon said he had a secret that he was going to give us about the national defense. I wonder if he cares to give it to us now.

Mr. MARTIN of Oregon. We have a General Staff in the War Department that——

Mr. CLANCY. I emphatically agree with the statement of the gentleman from Oregon, General MARTIN, that one of the serious features of cutting off the heads of these 2,000 Army officers is that it will cripple the reserve forces of the Nation.

These Army officers are assigned to help train the 3,000 reserve officers of Michigan, who have one 14-day period of training each year with pay and who serve 200 hours without pay during a 5-year period. The president of Michigan Reserve Officers' Association is Maj. James E. Murphy, who appeared before the subcommittee of which Mr. COLLINS is the chairman when the appropriations were being considered, and who protested against cuts which would be so heavy that they would destroy the Reserve Officers' Association.

The citizens' military training camps in Michigan are a great success. One camp is at Battle Creek and is known as Camp Custer, the other is Fort Brady at Sault Ste. Marie. The one at Camp Custer provides yearly for 1,600 high-school boys, but through hard work the reserve officers have drummed up 3,300 applications for this camp. Here young men are given not only military training but character training and are taught to be honest, and above all they are inculcated with fortitude and patriotism.

The Reserve Officers' Training Corps for college men is another worthy institution which is a vital factor in our national defense.

Major Murphy has escorted me to the field and quarters of the reserve officers in Wayne County. These officers have obtained 300 acres of land, with a large building and stables thereon, for which there is no Federal appropriation. The reserve officers pay $500 per month out of their own pockets for the maintenance of this training camp.

I emphasize again that the reserve forces of the United States must be maintained not only for national defense against foreign aggressors but as a first line of defense in case there are riots and disorders and attempts to overthrow the Government by mobs in some of our larger cities.

One violent mob, if not quickly controlled, could do enough damage in any large city to offset the entire cost of training these reserves of boys, youths, and men for one year.

The drastic cut of the appropriation of the Officers' Reserve Corps can mean but one thing: It is the end of the corps for the time being.

Reserve officers are required to provide themselves with uniforms and other equipment at considerable expense to themselves. Now they are asked to contribute 14 days of their valuable business time without pay. If such a situation comes to pass it is doubtful if any officer will agree to attend a training camp this year.

It must be remembered that the reserve movement is a voluntary one, and should it be neglected the project will be seriously handicapped. The reserve officers give freely of their time for several months each year attending schools without pay.

This country must have trained officers in time of war. Officers must be trained in time of peace for this duty and can only be so trained by attending schools without pay. They only receive pay now for the 14 days in camp once in every three or four years.

I include as my own remarks a memorandum handed to me by Major Murphy.

ARGUMENTS IN FAVOR OF RETENTION IN BUDGET OF AMOUNT FOR 14-DAY TRAINING PAY AND ALLOWANCES OF ORGANIZED RESERVE

1. This is a national defense item, included in the Budget for the fiscal year 1933, approved by the President. Therefore, attempts to eliminate it can be regarded as nothing but endeavors to hamstring the entire national defense project.

2. The Chief of Staff of the Army, in the hearing before the House Subcommittee on War Department Appropriations, expresses his opinion that the training of reserve officers is absolutely essential. Reductions in the appropriations which would hamper training would be as severe in their effects on the efficiency of our Army as a disastrous military campaign.

3. Elimination of training pay and allowances would deprive the majority of reserve officers of the opportunity to take active-duty training, because their financial condition will not permit them to make the sacrifice. This will be readily recognized by a consideration of the following factors:

(a) The average tour of active duty for the Organized Reserves is but once in three years for each reserve officer.

(b) Ninety per cent of the reserve officers receiving active duty with pay and allowances are below field grade (under the grade of major).

(c) The great majority of them are in moderate circumstances. They comprise, in the main, the following classes:

(1) Younger professional men who have not yet reached the peak of their earning capacity;

(2) Small tradesmen, merchants, and business men who are not yet solidly established; and

(3) Employees working on a salary basis.

(d) These men do not, as a rule, receive any compensation from their usual sources of income during the time they are at camp. If they are professional men, they must arrange to turn over the affairs of their clients or patients to colleagues while they are away. If they are small tradesmen, merchants, or business men, they must pay some one to operate their business or look after their affairs while they are away, or close up shop and suffer the consequent loss of business and good will. If employed on a salary basis, they must sacrifice either two weeks' pay or their regular vacation period.

4. The amount of money drawn by the average reserve officer as active-duty pay every three years does not come to more than $126 for each 14-day period of active duty. This amount does not cover the expense to which each reserve officer is put in procuring and maintaining his military equipment.

5. The Navy supply bill, recently passed, did not deprive Naval Reserve officers of their pay and allowances while on active duty. It would be neither sensible nor just, therefore, to discriminate against reserve officers of the Army.

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

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

Mr. LAGUARDIA. Mr. Chairman, I would much prefer to hear arguments against the present bill based on the merit and the one purpose of a United States Army, viz, national defense. This is no time and not the place to create fear and class hatred.

I do not believe that the opponents of the bill are strengthening their case in their constant repetition that the Army is needed to solve the unemployment situation. I do not believe that the constant warning of domestic unrest has any bearing on the question before us. My God, I want to get work and bread for the American workman and not bayonets and bullets. [Applause.]

Another argument that is constantly made is that the retirement of 2,000 officers will impair the national defense. I do not believe there is a man in this House that believes any such statement. Talk to any Army officer privately and confidentially and he will tell you of the various humps in various grades which are retarding promotion by superannuated officers who should be retired.

The elimination of 2,000 officers will in no way weaken the national defense, and all this talk about this Government neglecting the national defense I do not believe can be borne out by the figures.

We had during the last fiscal year in the Regular Army—and if I am wrong I want some one to correct me—we had in the Regular Army 118,750 men and 11,822 officers. We had in the National Guard 12,943 officers and 202 noncommissioned officers and 171,226 enlisted men. There were 117,423 students receiving regular military training in the various educational institutions of the country. These students are armed, uniformed, and trained by the United States Army.

We had in the citizens' military training camps 37,500 and in the Reserve Officers' Training Corps we have 110,000 trained officers, excluding the National Guard officers. Therefore we have now in active military service subject to call 579,866 men and officers.

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

Mr. LAGUARDIA. Yes.

Mr. CHIPERFIELD. It may not be important, but the gentleman has overlooked the fact that we have also 6,500 Philippine Scouts—not a large number, but for the sake of accuracy I think they should be considered.

Mr. LAGUARDIA. I thank the gentleman. It has been suggested, however, that in our economy plan they will be eliminated. The total appropriation in this bill for military activities, excluding the Panama Canal and nonmilitary activities, amounts to something over $281,000,000. I submit it is hardly fair to suggest even that Congress is in any way neglecting the national defense, with an enormous budget of over $281,000,000. In amount I think that is more than the military budget of any other country.

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

Mr. LAGUARDIA. In a moment. The gentleman from California [Mr. BARBOUR] a few moments ago made the point of order on the bill, based on the fact that the provisos did not show retrenchment. As soon as that was disposed of, the gentleman from California offered an amendment striking out the provisos which would eliminate 2,000 officers, but increases the appropriations over $4,000,000. If there has been any doubt that the bill does not in and of itself bring about economies, and therefore is a retrenchment within the meaning of the Holman rule, I think that action on the part of the gentleman from California disposes of the doubt. Further, I do not think it fair when a Member happens to go along with the committee in these times of economic stress and votes with it for the sake of economy, that he should immediately be branded a radical and grouped as being against adequate defense. I do not believe that is conducive to good, sound legislation. I submit that if any Member of this House could talk confidentially with any of the experienced officers or any of the line officers of the senior grade, without exception he would be told that the elimination and retirement of these 2,000 officers will not in any way disturb the efficiency of the Army.

Mr. MARTIN of Oregon. Mr. Chairman, will the gentleman yield?

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

Mr. LAGUARDIA. Yes.

Mr. BACON. I have discussed that very matter with a great many of the most efficient staff officers of the Army within the last week, and they are unanimous that this will absolutely impair the efficiency of the Army.

Mr. LAGUARDIA. And all that we have been hearing for the last four years is to get rid of the hump.

Mr. BACON. This will not get rid of the hump. It will make it worse.

Mr. LAGUARDIA. Oh, no; the gentleman is in error there.

Mr. BACON. That is the opinion of the staff of the Army.

Mr. LAGUARDIA. The General Staff itself offered a promotion bill that would promote groups regardless of any military demand or necessity.

Mr. BACON. Oh, no.

Mr. LAGUARDIA. Oh, yes; they wanted to bring everybody up. Promotion rather than efficiency seems to be the order of the day.

Mr. BACON. Oh, no; it was entirely different.

Mr. MARTIN of Oregon. I know the gentleman is perfectly fair, and therefore I would not want him to create a wrong impression. I disagree with the gentleman absolutely, and I know the conditions do not exist that the gentleman reports.

Mr. LAGUARDIA. On that we disagree. Another thing I want to point out is the fact that the committee says these men are dropped. No such thing. You gentlemen know that when they are on the retired list they are subject to call at any time in an emergency and also that they are subject to call for various duties with their consent. More than that, they are not dropped at all. Certainly, they are not dropped in the cruel, ruthless way that Congress dropped 700 employees in the Department of the Interior, throwing them out on the streets on July 1. These men go on the retired list for 75 per cent of their active pay, which means 75 per cent pay and fogies.

Mr. KVALE. When the gentleman speaks of these men being dropped, does the gentleman have in mind the proposal embodied in the proposition of the gentleman from South Carolina [Mr. McSWAIN]?

Mr. LAGUARDIA. Yes. That is based on efficiency. I am sure the gentleman from New York [Mr. BACON] has confidence in the staff officers to whom he has just referred, who are going to make the selections. I want to point out, without criticism, that the plucking of these officers is to be made upon the ground of military efficiency, and there is no disgrace about being placed on the retired list under those circumstances.

Mr. BACON. Is the gentleman talking about the bill as it is at present, or as it would be with the McSwain amendment added?

Mr. LAGUARDIA. I am talking about it with the McSwain amendment which we are going to adopt in a few minutes. That being so, how can there be any justification for opposition to the bill, when we establish that these 2,000 men to be put upon the retired list with 75 per cent of their active pay, which means pay and longevity, subject to be called in an emergency, shall be selected on an efficiency basis? [Applause.]

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

Mr. BARBOUR. Mr. Chairman, I yield 10 minutes to the gentleman from Maine [Mr. BEEDY].

Mr. BEEDY. Mr. Chairman, I think it is always unfortunate to attempt to quote the President of the United States in this Chamber from memory of a conversation. The gentleman from Indiana [Mr. WOOD] has had vastly wider experience in this Chamber than I, but I must say that his attempt to repeat something that he alleged the President said came as a distinct shock to me. I immediately checked up on the facts, because I think this House ought to have them. The facts are as follows: The Secretary of War, Mr. Hurley, came before this Subcommittee on Appropriations and stated unequivocally that he could save not $24,000,000 but $34,000,000.

Mr. COLLINS. Will the gentleman yield? The gentleman is mistaken about that.

Mr. BEEDY. No. Let me state these facts, and if I am wrong I will yield to the gentleman.

The position of the President is that $25,000,000 must be saved and ought to be saved, but that the War Department ought to have the right to say where that cut should come; that it should be made in such manner as not to cut into the very heart of the national-defense program. There the President stands. [Applause.]

Mr. COLLINS. The gentleman is still mistaken.

Mr. BEEDY. Well, I am not mistaken, if the gentleman will pardon me. That is what the Secretary of War said before the gentleman's committee. Furthermore, I am not mistaken as to the stand of the President.

Now, the War Department does not sanction this cut of 2,000 officers. I confess that I know all too little about the details of Army tactics and the science of Army maneuvers. I regret I have been unable to give, in service along those lines, but there is no one here more earnest to do the safe and right thing at this time than I am. I can not bring myself to see that it is in the interest of economy in the slightest degree to cut the vitals out of this system of our defense. That is just what will result if you scale down the number of officers, cut out the Reserve Officers' Training Corps and the citizens' military training camps.

The gentleman from Alabama [Mr. BANKHEAD], for whom I have as high a degree of respect as for any man in this House, asked me the other day if I could not give the House some information as to the proportion of officers to men in our Army as compared with other armies. I now have them. I will give them to the committee, and these figures I am about to quote are taken from the armament yearbook of the League of Nations.

Let us take first the army of Great Britain. She has a force of 363,591 regular enlisted men. She has a total of 20,166 regular officers, or 1 officer to every 18 men.

France has a total of 422,465 regular enlisted men and 30,270 regular officers; 1 officer to 14 men.

Mr. COLE of Iowa. Are these figures for the regular army?

Mr. BEEDY. These are the regular officers and the regular enlisted men.

Italy, regular enlisted men, 491,398; regular officers, 22,137; almost twice as many officers as this great country of ours has. One officer to every 22 men.

Japan, 266,248 regular enlisted men, 17,343 regular officers; 1 officer to 15 men.

Poland, 265,980 regular enlisted men; 17,090 regular officers; 1 officer to 15 men.

Germany, stripped of her defense under the treaty, has 194,900 regular enlisted men—a great deal more than we have—and 4,291 regular officers; 1 officer to every 22 men.

Now, it seems to me the House misses the entire point of our plan for national defense. We had two choices when we passed this law in 1920. We could have adopted a policy of conscription and kept a regular army up to war strength. In such case the ratio of officers to men melts proportionately. We might also have set up a trained army of professional soldiers and maintained it up to war strength. In such case the officer proportion fades away proportionately. However, we would have none of those systems.

We decided to set up the mere skeleton of a standing army, and set up a reserve army. Because we have this great reserve army, and only a small standing Army, we necessarily have a higher proportion of officers to actual enlisted men in time of peace. We have 1 officer to 10 men.

But what are the plans in the War Department? In times of national emergency we plan to put 6 field armies, or 4,000,000 men into action. Who will lead those men? We have our 12,000 regular officers, unless you cut them down to 10,000. We have 13,000 regular officers in the guard. We have 80,000 available officers in the reserves, and then altogether we have only 105,000. The Army experts tell us we need 250,000 officers to lead 4,000,000 men in the field. Then we must get 145,000 more officers from somewhere.

Now, you need not accept my judgment. Let us listen to men who know what they are talking about—General Summerall, than whom no finer officer was ever in our Army, and he comes from that great section of our country which we call the South. He said that in peace times we can not carry out the purpose of this defense act with less than 14,000 officers.

What did Napoleon say? Napoleon said, "There is no such thing as a bad army; only bad officers."

What did General MacArthur say before your committee as to the necessity of this officered strength? He said, "The Army can live on short rations, it can be insufficiently clothed and housed, it can even be poorly armed and equipped, but it is doomed to destruction without the trained and adequate leadership of its officers."

Now, those are the facts which this House faces, and this House can do with this Army appropriation bill what it will. I do not believe the fate of the Nation hangs on whether we have 10,000 or 12,000 officers in peace times, but I do think that in the end it will prove a very costly experiment if we vote this cut in our officer force.

I feel very deeply about this thing. I face opposition in the coming elections the same as other Members, and I lay myself open to criticism, misunderstanding criticism, of people who will not take the facts first and then pass judgment later. I am anxious for economy, wise and prudent management, but I beg of this House not to slash this appropriation bill and cut 2,000 men from our peace-time officer quota.

I regret that my friend, the gentleman from Indiana [Mr. WOOD], is not present. He said last Tuesday that the cost of maintaining our Army had increased three times since 1915. That is not the fact.

The average cost of supporting the other departments of the Government since 1915 has increased 413 per cent, but the cost of supporting our Army since 1915 has increased only 152 per cent. Assuming that it had increased 300 per cent, let my friend the gentleman from Indiana go back to the veterans in Indiana who fought this last war and ask them if in 1918 they had only one-third of the officers necessary to lead them under German fire. Oh, they had barely a tenth of the needed trained officer leaders, and they paid for such lack of leadership in unnecessary and regrettable loss of life. [Applause.]

[Here the gavel fell.]

Mr. COLLINS. Mr. Chairman, I yield 15 minutes to the gentleman from Georgia [Mr. WRIGHT].

Mr. WRIGHT. Mr. Chairman, I wish to preface the few remarks I shall make with some words of explanation. To begin with, I am not now, never have been, and never expect to be a pacifist as that word is construed throughout our country to-day. In the next place, I have always maintained that we should have adequate and reasonable defense for this country and have always supported appropriations for this purpose. I am proud of our American Army. I have high admiration and high respect not only for the Regular Army and its officials but for the civilian components of our Army. With this preface, I would like to talk a little about some of the features of this bill on which the heaviest attacks are made.

It is a little amusing to me to see how excited my friend the gentleman from Oregon, General MARTIN, gets about this matter, and General CHIPERFIELD, General Goss, and the others. I can not name them all, but those are the ones who have been loudest, I believe, in their protests against some provisions the committee has seen fit to insert in the bill. Gentlemen, that is all easily explainable to me. They are excellent gentlemen; they are splendid Representatives; they are patriotic citizens. My mother told me when I was a little boy the way things looked depended upon the kind of glass through which one looked. In other words, if you looked through a green glass, everything looked green; if you looked through a blue glass, everything looked blue. The life work of my good friend here, the gentleman from Oregon, has been that of a professional military man, which is not to his discredit. He is to be commended for it. However, when one spends a lifetime in the military profession, one does not see except through a military glass. My friend can not appreciate the position of the civilians in the United States and the fact that hunger and want are stalking over this great country of ours. [Applause.] He is looking only at the military aspects of the problem.

Mr. MARTIN of Oregon. I was enough of a civilian to carry a good strong Republican district as a Democrat. I have not spent all my life in the military service; I have seen a little bit of politics.

Mr. WRIGHT. The gentleman has just lately entered this game, and has not learned much about it yet, but I think the gentleman will. [Applause.]

This appropriation bill was drawn by a subcommittee of five Members, composed of gentlemen from California, Minnesota, Mississippi, Arkansas, and the humble Member from Georgia who now has the floor. We had no fights in that committee about the drafting of this bill. Everything was harmonious, even though the members of the committee perhaps did not see all things alike. True, when we inserted some of these provisions my good friend, the gentleman from California [Mr. BARBOUR] said he was not in accord with them. He had a right not to be. When the subcommittee reported this bill to the full committee we had no difficulty in particular—had no friction—and I want to say that I believe my friend BARBOUR was the only Member who really made a reservation, as we call it, to this bill when it was before the full committee.

Now, what are we doing by the terms of this bill?

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

Mr. WRIGHT. I yield.

Mr. SNELL. Does the gentleman from Georgia take the same position the chairman of the committee took, that it was not necessary to call the Chief of Staff or get any information from him, that the committee knew more about it than he did?

Mr. WRIGHT. The Chief of Staff was before the committee and testified to his heart's content. [Applause.] The Chief of Staff was placed on notice that there was a movement to cut the officer personnel by 2,000 men.

Mr. SNELL. That is not an answer to my question. Was the Chief of Staff questioned about this proposition?

Mr. WRIGHT. If the gentleman will look at the hearings he will find the testimony of the Chief of Staff.

Mr. SNELL. But was he questioned about this proposition before the subcommittee?

Mr. WRIGHT. The question arose.

Mr. SNELL. The chairman of the subcommittee said he was not.

Mr. WRIGHT. I did not understand the chairman to make any such statement as that. The Chief of Staff was there, and the hearings show he was.

Mr. COLLINS. I made no such statement.

Mr. WRIGHT. I want to say to my friend SNELL, and I do not know of any man in this House for whom I have higher respect, that this is all "tommyrot," for the Chief of Staff to say that he did not have a chance before the committee.

Mr. SNELL. I did not mean to say that he did not have a chance. I understood that he was not questioned on the proposition of reducing the officers of the Army.

Mr. WRIGHT. He was put upon notice the committee had this in mind.

Mr. SNELL. I understood the chairman of the subcommittee to say that he was not questioned upon it. Now, if I am wrong, I wish to be corrected.

Mr. COLLINS. No; I said just exactly the opposite.

Mr. SNELL. That he was asked about it?

Mr. COLLINS. Absolutely.

Mr. SNELL. What did he say about it?

Mr. COLLINS. I read excerpts from his testimony.

Mr. SNELL. What page is it on? Will you read it now?

Mr. BLANTON. Let the gentleman look it up for himself.

Mr. WRIGHT. Mr. Chairman, I want to say for the benefit of my friend from New York, Mr. SNELL, as well as the balance of the membership, that we accorded the utmost deference to every official who wanted to come before our committee. We did not seek to cut anybody off. The statement was made here a few moments ago that Secretary of War Hurley said he could tell the committee how to save $25,000,000. He is attributed with making that statement before the committee. He made no such statement.

He came before the committee and said he had kept up with the hearings, he knew what the Chief of Staff had testified and he was content, that he did not care to make any statement.

Now, getting to the points in this bill. The immediate question before you is whether you will reduce your officer personnel from twelve thousand and some odd to ten thousand.

My friends, there have been too many officers in the United States Army for a long number of years, and the Army itself has realized it. I have always stood for a sufficient officer personnel because I believe it is proper to have them so that in time of an emergency they can quickly train the civilian population, but think about having practically one officer to every nine men in the Army.

My good friend BEEDY—and I have a warm affection for him—says that England has such and such an army, that Germany has such and such an army, and France, and so on and so on. Why, my good friends, I thought that was one of the reasons we were in this country, so as to get away from those old practices and customs of Europe. [Applause.]

Mr. BEEDY. Will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. BEEDY. The gentleman entirely misunderstood the point I was attempting to make. I was attempting to show that our officer personnel in proportion to men in the Army is no higher than in any other army—that is, we are not maintaining an unusually high officer personnel. The gentleman sees the point, does he not?

Mr. WRIGHT. I may see it one way and the gentleman may see it in another way.

Mr. GLOVER. Will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. GLOVER. Is that not one of the reasons why we are asked to give a moratorium on the debts they owe us—namely, that they are carrying such large armies?

Mr. WRIGHT. Yes. Their armies are eating up everything.

Now, my friends, talking about this officer personnel in the Regular Army of the United States, there has grown

up on that roll of officers what the Army calls a "hump." What does that mean? It means that as a result of the war, by taking in so many new officers, and right after the war, that "hump" has been created. It has become congested, so to speak, so that the boys down below can not get over it and get promoted as they ought to be. We all know that when a man enters the Army, especially when he becomes an officer, he has promotion in mind. That is laudable, it is commendable, and it is praiseworthy.

Now, what has happened? As has already been said, we have to-day lieutenants in the Regular Army of the United States over 60 years of age. Their military career is over. What incentive have they? What do they expect?

Then, again, we turn out annually some 1,200 or 1,300 West Point graduates. They go into the Army as officers. Do you know that those boys must stay there until 1949 or 1950 on account of this "hump" before they can get any promotion? That is discouraging to them.

Now, gentlemen, that is what we are trying to iron out here. What we are trying to get rid of is this "hump." Your committee undertook to do that, and it has provided a method by which a board will act. A formula was laid down and that was the age limit, thinking that would be the most certain and fair way.

Of course, it is understood that no matter what may be provided there will always be favorites. We understand there are those to whom partiality will be shown. That is nothing to the discredit of the board that is going to be appointed, because it is just human nature, and you can not get it out of them. Let me tell you that the Army itself did not want to exercise discretion about this thing. It is a delicate matter. In other words, suppose we Democrats were called on to reduce the number over here by 10. Would it not be a mighty delicate question with us as to who should be turned out? It would be the same way with this board.

Mr. BLANTON. Are we not getting so many generals in this House that we may soon have a "hump" in the House?

Mr. WRIGHT. I suspect so. Now, my friends, I say there is a question involved in the reduction of the officer personnel of the Army which far transcends the question of economy involved; it far transcends the dollars and cents which will be saved. It goes to the efficiency of the American Army, and that is the principal thing we had in mind.

Mr. SNELL. Will the gentleman yield?

Mr. WRIGHT. Yes.

Mr. SNELL. I have referred to the statement made by the chairman of the committee, and it is as follows:

> Nearly all of us know it in more than a general way, and it seems to me, with the information before us, we could at least frame an appropriation bill without the aid of the Chief of Staff of the Army.

Mr. COLLINS. That does not contradict what I said. The gentleman is not reading from that part of my remarks where I showed that both the Secretary of War and the Chief of Staff—both—were given an opportunity to state their views on the proposition to the committee.

Mr. McDUFFIE. The General Staff should not be permitted to write an appropriation bill.

Mr. SNELL. But you could get some information as to what will happen in the event certain action is taken.

Mr. BLANTON. The General Staff did not write this bill.

Mr. WRIGHT. And it is not going to write the next one. [Applause.] Now, my good friend McSWAIN comes forward with a proposition to reduce the same number but by a different method. I want to say I find no fault with the McSwain proposal if it will work, and I reckon it will. He wants to put it on efficiency and physical condition. That is his proposal. He wants to go by the records down in the War Department, the efficiency records, and all other kinds of records.

I can see how, with all the hedging provisions he has in his proposal there can still be favoritism exercised by the board. You can not keep it out. He has one thing attached to it that I am glad he put on and that is he makes it a crime for anybody to interfere in any way or to try to influence in any way this board which is to be appointed to effect these eliminations. He provides that you can send them to the chain gang if they do this. I suspect there will be some people put on the chain gang if they can prove it on them.

Now, getting away from the question of reduction of officers, there are two or three other points I want to talk about. Why, the idea of General MARTIN and General CHIPERFIELD and others talking about destroying the national defense act by the passage of this bill. How absurd and how ridiculous it is to talk about this bill, if passed, disrupting the Army of the United States.

[Here the gavel fell.]

Mr. COLLINS. Mr. Chairman, I yield the gentleman two more minutes.

Mr. MARTIN of Oregon. I was trying to preserve Fort Benning.

Mr. WRIGHT. Yes; Fort Benning is my baby and it is the best thing in the Army.

Mr. MARTIN of Oregon. And the gentleman is trying to break it up.

Mr. WRIGHT. No; I am not. I am trying to nourish it and bring it up as it should be. The gentleman can not scare the folks down there. There will not be one less officer attending Fort Benning as a result of the reduction of 2,000 officers. The gentleman can not fool me.

Now, what else do we do? Take the Reserve Officers' Training Corps. I believe in the Reserve Officers' Training Corps, and we have not destroyed the Reserve Officers' Training Corps in this bill. We have simply given them a vacation from their summer camp for the next fiscal year. All their other training is provided for.

I believe in the citizens' military training camps, and that is not interfered with in the least except during the next fiscal year they also have a vacation.

Take the Officers' Reserve Corps, that you have heard so much talk about here. Do you know who makes that up principally? There are over 80,000 of them, and that organization is largely made up of newspaper editors, lawyers, and industrialists, and they are complaining here that they can not live on $1 a day at the camp. Gentlemen, do you know what we are doing for them? We say that we will pay their expenses to the camp next year if they want to go there and we will pay their expenses back and we will give them a dollar a day while they are there for subsistence, and yet this is the very crowd that is sending all this propaganda here to cut down and curtail Government expenditures. In the name of reason, are they not patriotic enough for one season alone to go out and devote their time to this patriotic work without being compensated by the taxpayers? This is all they are asked to do.

Now, this is what we have done to the Regular Army and to the civilian components of the Military Establishment by this bill that my friend the general here says is going to disrupt everything. [Applause.]

[Here the gavel fell.]

Mr. BARBOUR. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, after listening to my friend who has just finished, the thought comes to my mind that the officers who comprise our officer personnel must read the debates on this bill with a great feeling of uncomfortableness. It appears to me, after listening to this debate, that the argument in favor of the reduction is that it is almost a crime to be an officer in the Regular Army of the United States. These men have a responsibility to perform just the same as we have.

Reference has been made to the distinguished gentleman from Oregon, our colleague, General MARTIN. I have heard many references to him by some of my friends in the past; and they ought to stop making them on the Democratic side, because he is a credit to this Congress and a credit to the Democratic Party. [Applause.] He is a pioneer in the Democratic Party of the great Northwest, and he is one of

the pioneers in making the Democratic Party national. We are all trying here to make our party national, north, east, south, and west; and we can not do it by having men from one section of the country attaching high-type honorable men from other sections of the country, who are pioneers in the cause of the Democratic Party and coming from a part of the country where we seldom, if ever, have had any representation in the past.

This is my personal opinion. I do not think it is conducive to party welfare.

In discussing the present bill I am not impugning the motive of any man who differs from me. I think it is wrong in principle and in practice to make references to a man who has taken the position in this fight that his conscience has dictated, simply because he has been a Regular Army officer, willing to sacrifice his life for his country during the many years he rendered service in the past, or if a Member is in favor of the recommendations of the committee.

Mr. SCHAFER. Will the gentleman yield?

Mr. McCORMACK. Yes.

Mr. SCHAFER. General MARTIN is also one of the hardest working and most capable and most efficient Members of this body. I know from personal observation, as a result of sitting on committees with him. I am a Republican, and I say this for a Jeffersonian Democrat. [Applause.]

Mr. McCORMACK. Mr. Chairman, I have no argument with my friends who are fighting for this reduction, I realize they are actuated by the same motives that I am in opposing it.

I have looked this bill over in its entirety, and I see first a reduction of 2,000 officers. I see, second, the elimination of the Reserve Officers' Training Corps camps for one year; and we know next year that there will be a fight to continue this elimination for another year, and this will be used as a precedent if successful. I see the elimination for one year of the citizens' military training camps, which will be used as a precedent for the permanent elimination of the citizens' military training camps. I see an attempt to practically destroy the effectiveness of the Organized Reserves. I consider this in connection with the reduction in the officer personnel and the additional provision on page 60, which they have tried to put in our appropriation bills for the past several years, relating to the training of the boys attending schools where military service is compulsory by making it elective with the student body.

I take all of these together; I weigh them all together, and as I look over the Army to-day of 118,000 enlisted men and 12,000 officers, and consider the effect that this measure will have on its activities, and I can not escape drawing the inference that these recommendations will seriously affect our national defense. The recommendations of the committee, if adopted, will result in the impairment of efficiency, the morale, and the character of our national defense so far as the Army is concerned.

Mr. UNDERHILL. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. UNDERHILL. Does the gentleman know of any other instance where Congress tries to dictate to the State what it shall put in its curriculum for an educational institution?

Mr. McCORMACK. I do not care to get into that. The question is whether or not this is real constructive economy. I do not believe in economy at the expense of the impairment of any element of national defense, and the people of this country do not want that.

Even under the conditions which confront us to-day, and which makes economy necessary, the people do not want economy in any such way as will result in our country being in a defenseless position in the event of war developing in the near future.

Some people say, "Are we going to have a war?" We never expect war. The people of Europe did not expect war in 1914; we did not expect to go into the war in 1898. We did not think we would enter the World War until after the *Lusitania* was sunk.

In these days we have to be practical. We have got to be prepared for an emergency, and the price we pay for national defense, out of the Treasury of the United States, for the maintenance of an adequate Army and Navy is the price that we pay for protection. It is a premium that we pay for national protection, just as we pay a premium for insurance on our homes; just as we pay a premium for insurance of our automobile against accident, fire, theft, or collision; just as we pay a premium on our own life, so that in case of death we will leave something for our loved ones that we leave behind.

The expenses of adequate national defense is the price we must pay for our protection.

I recognize the argument of gentlemen who are in favor of the committee recommendations, that we do not want a large Army and Navy; that we have the Atlantic and Pacific Oceans to protect us. Nevertheless, the first thing an enemy would attempt would be to destroy our Navy. They would have to do that before they could attack us on land. In the event an enemy was successful in destroying our Navy, and enemy troops were landed on the Atlantic coast, their first effort undoubtedly would be to separate New York and New England from the rest of the country. Practically all of our industries are located in that area. If the attack came on the Pacific, an enemy would undoubtedly try to invade us from Mexico through Texas. In all probabilities the first attack on the Pacific coast would come through Texas, and on the Atlantic it would be by landing in New Jersey or Maryland, with an attempt to separate New York and New England from the rest of the country.

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

Mr. McCORMACK. Yes.

Mr. BLANTON. If they ever do that, the Texas Rangers down there will stop them. Where are we going to begin on economy? If the gentleman and his friends vote against every economy in this bill, does he not think that we will deserve the criticism the country is now giving us?

Mr. McCORMACK. The country does not favor economy which is likely to impair our national defense. Everything the gentleman says about the Texas Rangers is true. I am as proud of the Texas ranger as the gentleman is and as well acquainted with their history, but I am not quite so confident that there are enough Texas Rangers down there, brave and valiant though they are, to defend our country in event of an attack through Texas. We have to have an Army with good officer strength, as that is the foundation of our national-defense scheme; to maintain our present professional Army of 118,000 enlisted men, intended to be 260,000 under the national defense act; behind them our National Guard civilian body, and then the citizens' military training camps, the Reserve Officers' Training Corps, and the Organized Reserve, in order to train those who have not had military training, in the event of war. We do not want war, but we can not ignore the fact that it is just as likely to come to-day as it has in the past. We are living in a practical world. This country has enemies, just the same as everyone has enemies. The best means of defense is an adequate defense which will enable us to take the offensive in case we are attacked. [Applause.]

I conclude my remarks by reading a letter received from Admiral Robert E. Coontz, retired. By the way, if any man is competent to discuss lack of preparedness, it is Admiral Coontz. There have been less than half a dozen officers of the Navy who have ever attained the rank of full admiral, and whatever Admiral Coontz has to say is as valuable a contribution to this debate as that which General Pershing might say.

He writes as the senior vice commander in chief of the Veterans of Foreign Wars of the United States, composed exclusively of veterans of the armed services who have fought the Nation's battles in foreign lands and in foreign waters—a membership all of whom have felt the brunt of that lack of preparedness which has characterized our entrance into every war. That membership is opposed to any further breaking down of our national defense.

The letter of Admiral Coontz is as follows:

VETERANS OF FOREIGN WARS OF THE UNITED STATES,
Kansas City, Mo., May 10, 1932.

Hon. JOHN W. MCCORMACK,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: It is a matter of much satisfaction to the Veterans of Foreign Wars to know that you have indicated your intention to oppose the provisions of the Army supply bill recently reported to the House of Representatives by the Appropriations Committee, which would so seriously impair the training of the Army reserve, including the Reserve Officers' Training Corps and the citizens' military training camps.

The plea is being made that the curtailment of these activities is but a temporary expedient required by the economic circumstances obtaining in the country to-day. The same forces back of such curtailment, mainly militant pacifism, have worked unceasingly to emasculate our national defense act since its passage. The curtailment of the reserve activities this year will be perpetuated in the following years, for history repeats itself.

In the 150 years of its national existence the United States has, by the command of its citizenry, engaged in six wars of major importance. In four of these it battled for its very existence. After each one it was said, "There will be no more wars." The sword was beaten into the plowshare and peaceful life was resumed with supreme indifference to the national security.

When the thunderbolt next fell thousands of our splendid young manhood with unparalleled patriotism went forth to unnecessary death, mutilation, and destruction of health from lack of even the rudiments of preparation—organization, training, and equipment.

Three years prior to the World War the American Congress had an opportunity to prepare against a war which was ever rolling nearer. Fearful of inviting a conflict, hopeful of inspiring a world at war by a noble gesture, they had done nothing to prepare for it. Thus, when war at last came to the United States, all was to be done. In a machine age the Army of the greatest industrial country on this planet had to be made by hand. Although war had become the most exact of sciences, the history of the American Expeditionary Forces is one long tale of improvisation; on the other hand, German, French, and Italian commanders had armies which had been in the making for decades. Their reserves and officers, staff and line, and noncommissioned officers, which are the backbone of the army, were well-nigh inexhaustible.

In order to prevent any war finding us in the impoverished condition which we were in at the outbreak of the World War, a national defense act, the first real military policy that the United States ever had, came into being. As a part of that act the Reserve Officers' Training Corps and the citizens' military training camps became indispensable parts of our Federal system. These should continue indefinitely in the future as common-sense insurance for the Nation based on the mortuary tables of our past history. Their mission is to inspire good citizenship and foster patriotism; to teach the men trained therein to be guided and led by constituted authority and to lead others by the same token; to confirm their inherent ideas of duty, honor, country; to initiate them into the elements of military training, or that they may be better citizens and real factors in case the land of their nativity called them to the colors.

Let us hope and pray and give our best efforts to avert any conflict in the future, but with the world in its present throes of anguish can any man say that such efforts will definitely preclude another war of major importance?

It is my opinion that the estimates provided by the Bureau of the Budget should be restored to the Army supply bill. These estimates were woefully low in themselves and contemplated such economies as were possible without too much impairment of our national defense.

It may be safely said that this organization, composed of veterans who have engaged in the Nation's wars on foreign soil and in foreign waters, will rally individually and collectively to petition the Congress not to go the way of pacifism and utter insecurity.

Very sincerely yours,

R. E. COONTZ,
Admiral, United States Navy, Retired,
Senior Vice Commander in Chief.

Mr. BARBOUR. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. CHIPERFIELD].

Mr. CHIPERFIELD. Mr. Chairman, growing out of the ghastly experiences of the World War, with all of its mistakes, costly to life and treasure, there was a fixed determination upon the part of the American people that the condition of unpreparedness for a proper national defense should not confront them again. If anybody misconceives the temper and mind of the Nation at this time upon the subject of preparedness, it occurs to me that for such a person there will be a great awakening. The American people will hold any group or any individual in public life to a high degree of responsibility if the system that was devised for national defense is impaired, lessened, or destroyed.

By the national defense act of 1920, after the war-time strength was dissipated, it was determined by the people of the Nation that there should be provided the framework of an Army that would be adequate and sufficient for the needs of the country in its hour of extremity. In the remarks I am about to make there is no contemplation upon my part that there will ever be need to use the American Army against the American citizen. And in my judgment any such use is unthinkable. A comprehensive scheme has been devised by the Congress without great cost to the country, based upon all the wisdom of the Nation, the precedents of the past and the history of the world, that has given by the national defense act the framework of an Army that should be sufficient for the national needs and that would be the pride and gratification of all if it had cause to be assembled for action.

In the national defense act of 1920 it was estimated that on the promotion list of the Army there should be 15,035 officers, distributed as follows:

Major generals	21
Brigadier generals	46
Colonels	599
Lieutenant colonels	674
Majors	2,245
Captains	4,490
First lieutenants	4,266
Second lieutenants	2,694
Total	15,035

The authorized strength of officer personnel of the United States Army as fixed by the acts of 1922 and 1926 provided a promotion list, as follows:

Major generals	21
Brigadier generals	46
Colonels	470
Lieutenant colonels	577
Majors	1,725
Captains	3,450
First lieutenants	2,667
Second lieutenants	1,974
Total	10,930

It is now proposed by the appropriation bill now under debate to reduce this officer personnel by 2,000. As a justification for such venture, it is said that it will remove the "hump" and will eliminate officers who are unfit for service on account of old age.

The whole history of the world from the dawn of civilization does not embrace or contain so foolish an effort as that now being made to destroy the effective defense plan of the Nation.

Let us see about these old men, these decrepit officers that we are going to eliminate from the Army by this bill. The numbers and ages of the officers proposed to be eliminated are as follows:

Age	Number
63	20
62	31
61	31
60	43
59	17
58	26
57	45
56	41
55	70
54	73
53	66
52	63
51	80
50	77
49	122
48	139
47	118
46	84
45	58
44	24
43	28
42	25
41	48
40	55
39	87
38	107
37	133
36	202
35	87
Total	2,000

Average age, 46.

A consideration of this list will show how ludicrous is the claim that these officers should be eliminated because of old age, and how absurd it is to contend that they are tottering upon the brink of the grave. At the age of 35 some 87 officers are to be eliminated. Of those who are 36 years of age, 202 officers are to be taken from the active list and retired. Of the officers class that is 37 years of age, 133 are to be taken from active service. Of those who are 38 years of age, 108 officers are to be placed upon the retired list. The average age of all of these 2,000 officers is 46 years.

Can anyone justify the proposition that is now advanced to take these men, who are capable of many years of active service, from the active list of the Army and retire them, and pay them three-fourths of their base pay for the rest of their lives without requiring them to perform any duties in the Army or for the country. I apprehend that such a grotesque contention has never in the history of the country been advanced before.

It should be remembered that if these 2,000 officers are removed from active service that it is not proposed to fill their places, and in not filling their places you are not removing the "hump," nor are you making promotion any speedier or more easy.

Let us examine for a moment the character of the officer personnel that you propose by this bill to eliminate. You are going to retire 1 officer who has the medal of honor, 30 officers who have the distinguished-service cross, 43 who have the distinguished-service medal, 85 who have the silver star citation.

These 2,000 officers you propose to take from active service, eliminate and retire, are the brightest, most capable and best men in the Army.

In the framing of this bill some great intellect has the thought that in the officer personnel room must be made for the class which will graduate from the Military Academy in 1933. In order to do this, it is proposed to eliminate the following 200 officers, all of the grade of colonel, but some of whom have the temporary rank of major general, being chiefs of branches.

List of officers proposed to be retired

P. L. 7-1-31		State	Source	Former enlisted service
140	Allen, Hubert A., Inf	Iowa	E. O	No.
63	Anderson, Alvord Van P., Cav	New York	Army	Yes.
205	Price, Howard C., Inf	Pennsylvania	Vol	No.
204	Reeder, Russell P., C. A. C	Ohio	Vol	No.
308	Norton, Elliott M., Inf	Michigan	Army	Yes.
68	Wade, John P., A. G. D	Ohio	M. A	No.
72	Langdon, Russell C., Inf	New York	M. A	No.
314	Allen, Charles C., Inf	Pennsylvania	Vol	No.
124	Bates, Walter R., A. G. D	Ohio	Army	Yes.
289	Faulkner, Albert U., F. A	New York	Vol	No.
144	Carpenter, Edward, C. A. C	Pennsylvania	Civ	No.
142	Martin, Carl A., Inf	Kansas	Civ	No.
461	Griffin, Frank J., Sig. C	New York	E. O	No.
91	Day, Clarence R., F. A	Kentucky	M. A	No.
240	Stopford, Frederick W., C. A. C	Massachusetts	Vol	No.
94	Carmichael, Roderick L., F. D	South Carolina	M. A	No.
207	Dockery, Oliver H., jr., Inf	Mississippi	Vol	No.
267	Pendleton, Harris, jr., Inf	Connecticut	Vol	No.
43	Preston, John F., Inf	Maryland	M. A	No.
105	Johnson, Jacob C., C. A. C	Missouri	M. A	No.
45	Welsh, William E., Inf	Pennsylvania	M. A	No.
85	Conklin, Arthur S., C. A. C	New York	M. A	No.
377	Coxe, Alexander B., Cav	Minnesota	Vol	No.
206	McCaskey, Walter B., Inf	Pennsylvania	Vol	No.
396	Culver, Clarence C., A. C	Nebraska	Vol	No.
112	Exton, Charles W., C. W. S	New Jersey	M. A	No.
103	Nugent, George A., C. A. C	North Dakota	M. A	No.
258	Bennett, Lucius C., Inf	Ohio	Vol	No.
50	Schulz, Edward H., C. E	West Virginia	M. A	No.
200	McCoy, Ralph, Inf	Michigan	Vol	No.
199	de Funiak, Frederick R., jr., Inf	Kentucky	Vol	No.
158	Knabenshue, Frederick G., Inf	Ohio	Civ	No.
236	Ripley, Henry A., Inf	Michigan	Vol	No.
384	McNarney, Frank T., Cav	Pennsylvania	Vol	No.
97	Bridges, Charles H., A. G. D	Illinois	M. A	No.
283	Noble, William H., Q. M. C	New York	Army	Yes.
459	Webb, William C., F. A	Utah	E. O	No.
74	Whitehead, Henry C., Q. M. C	Texas	M. A	No.
99	Vestal, Samuel C., C. A. C	Indiana	Army	Yes.
285	Mitchell, Edward B., Inf	Georgia	Army	Yes.
316	Fair, John S., Cav	Pennsylvania	Vol	No.
462	Smith, Hugh C., J. A. G	Missouri	Em	No.
100	Heidt, James V., Inf	Georgia	Army	Yes.
98	Cloke, Harold F., Inf	New Jersey	M. A	No.
116	Cohn, Joseph F., Inf	Illinois	M. A	No.
412	Covington, William A., C. A. C	Tennessee	Vol	No.

List of officers proposed to be retired—Continued

P. L. 7-1-31		State	Source	Former enlisted service
42	Parker, Francis LeJ., Cav	South Carolina	M. A	No.
75	Ovenshine, Alexander T., Inf	Kansas	Army	Yes.
309	Gardenshire, William C., Q. M. C	Tennessee	Army	Yes.
460	Pistole, William B., J. A. G	New Mexico	Em	No.
379	Deitrick, Leonard L., Q. M. C	Wyoming	Vol	No.
79	Cheney, Sherwood A., C. E	Connecticut	M. A	No.
202	Ball, George E., Q. M. C	Michigan	Vol	No.
165	Allison, James B., Sig. C	South Carolina	Civ	
188	Game, Clyffard, Q. M. C	Minnesota	M. A	
243	Hopkins, Frank E., F. A	Vermont	Vol	
137	Geary, John T., C. A. C	Kentucky	Civ	No.
128	Phisterer, Frederick W., C. A. C	New York	Civ	No.
249	Kerrick, Harrison S., C. A. C	Illinois	Vol	No.
352	Taylor, William W., jr., Inf	Michigan	Army	Yes.
291	Brown, Arthur W., J. A. G	Utah	Civ	No.
286	Coburn, Harol D., Inf	Wyoming	Vol	No.
263	Baskette, Alvin K., Q. M. C	Tennessee	Vol	No.
312	Knox, Robert S., Inf	Virginia	Vol	No.
170	Jackson, Thomas H., C. E	Michigan	M. A	No.
216	Roach, Leon L., Inf	Ohio	Civ	Yes.
405	Morison, Charles R. W., Inf	Maryland	Vol	No.
419	Campbell, Tilman, F. D	Arkansas	Vol	No.
301	Comstock, Harry E., Q. M. C	Connecticut	Vol	No.
110	Welborn, Ira C., Inf	Mississippi	M. A	No.
25	Fergusson, Frank K., C. A. C	Tennessee	M. A	No.
279	Humber, Robert C., Inf	Georgia	Civ	No.
123	Schoeffel, John B., Inf	New York	Army	Yes.
196	Hickman, Edwin A., F. D	Missouri	Vol	No.
108	Berry, Daniel G., Inf	Illinois	M. A	No.
305	Cootes, Harry N., Cav	Virginia	Vol	No.
221	Beacham, Joseph W., jr., Inf	New York	Civ	Yes.
297	Wade, Benjamin R., Inf	Missouri	Vol	No.
93	Conley, Edgar T., A. G. D	Maryland	M. A	No.
197	Dougherty, Andrew J., Inf	Illinois	Army	Yes.
302	Standiford, William R., Inf	West Virginia	Vol	No.
387	Johnston, Gordon, Cav	Alabama	Vol	No.
330	Mitchell, Harry D., A. G. D	Ohio	Vol	No.
425	Landers, Howard L., F. A	Maryland	Vol	Yes.
367	Patterson, William H., Inf	New York	Army	Yes.
201	Townsend, Grosevenor L., Inf	do	Vol	No.
104	Spinks, Marcellus G., C. A. C	Mississippi	M. A	No.
125	Steele, Harry L., C. A. C	Arkansas	Army	Yes.
269	Murphy, Ernest Van D., Inf	Montana	Vol	No.
358	Commiskey, Archibald F., Cav	New York	Vol	No.
70	Burt, Reynolds J., Inf	Ohio	M. A	No.
274	Agnew, Ernest H., Q. M. C	Kansas	Vol	No.
81	Abernethy, Robert S., C. A. C	Texas	M. A	No.
229	Latrobe, Osmun, Cav	Maryland	Vol	No.
450	Higgins, James A., Inf	Pennsylvania	Vol	No.
14	Tschappat, William H., Ord. Dept	Ohio	M. A	No.
270	Foreman, Albert W., Inf	Delaware	Vol	No.
442	Beckham, David Y., A. G. D	Kentucky	Vol	No.
132	Hase, William F., C. A. C	Wisconsin	Civ	No.
311	Davis, Edward, Cav	Illinois	Vol	No.
141	Toffey, John J., Inf	New Jersey	Civ	No.
67	Miller, Alexander M., Cav	Tennessee	M. A	No.
71	Dallam, Samuel F., Cav	Pennsylvania	M. A	No.
457	Seoane, Consuelo A., Sig. C	Virginia	Vol	Yes.
102	Brown, Earl I., C. E	Georgia	M. A	No.
195	Reed, William L., Inf	New York	Army	Yes.
298	Gaujot, Julien E., Cav	West Virginia	Vol	No.
393	Phillips, Albert E., Cav	Louisiana	Vol	No.
417	Williams, Richard H., C. A. C	New Jersey	Vol	No.
310	Stayer, Edgar S., Q. M. C	Pennsylvania	Vol	No.
241	Gulick, John W., C. A. C	North Carolina	Vol	No.
299	Hartshorn, Edwin S., Inf	New York	Vol	No.
95	Ashburn, Thomas Q., C. A. C	Ohio	M. A	No.
2	Bishop, Harry G., F. A	Indiana	M. A	No.
446	Jones, Carl C., Q. M. C	Iowa	Vol	No.
119	Naylor, William K., Inf	Minnesota	Vol	No.
76	Smith, Alfred T., Inf	District of Columbia.	Army	Yes.
424	Powers, Edward D., F. D	Massachusetts	Vol	No.
176	Romeyn, Charles A., Cav	Oklahoma	M. A	No.
4	McMaster, Richard H., F. A	South Carolina	Army	Yes.
464	McKeeby, George L., J. A. G	California	Em	No.
295	Fuqua, Stephen O., Inf	Louisiana	Vol	No.
293	Burtt, Wilson B., Inf	Illinois	M. A	No.
134	Hannay, John R. R., Q. M. C	Minnesota	Civ	No.
282	Rucker, Kyle, J. A. G. D	Colorado	Vol	No.
322	Graham, William A., J. A. G. D	Iowa	Em	Yes.
186	Heidt, Grayson V., Q. M. C	Georgia	M. A	No.
113	Henry, Guy V., Cav	Virginia	M. A	No.
304	Moorman, Thomas S., Inf	South Carolina	Vol	No.
90	Hall, Chalmers G., A. C	North Carolina	M. A	No.
219	Myer, Edgar A., Inf	New York	Civ	No.
290	Rethorst, Otto W., Cav	Kansas	Vol	No.
189	Stuart, George W., Inf	Iowa	M. A	No.
178	Humphrey, Evan H., Cav	Nebraska	M. A	No.
111	Williams, Alexander E., Q. M. C	North Carolina	M. A	No.
127	Kimmel, Edward, C. A. C	Washington	Civ	No.
398	Barney, James P., F. A	Virginia	Vol	No.
434	Ball, William G., Q. M. C	Ohio	Vol	No.
193	Cowan, Arthur S., Sig. C	Maine	M. A	No.
409	Leonard, Charles F., Inf	Massachusetts	Army	Yes.
464	Bradbury, Arthur W., Inf	Washington	Em	No.
364	Herbst, George A., Inf	Minnesota	Army	Yes.
447	Booth, Alfred J., A. G	New York	Vol	No.
147	Carr, Irving J., Sig. C	Texas	Civ	No.
174	Schull, Herman W., Ord	South Dakota	M. A	No.
9	Merrill, Thomas E., F. A	Kentucky	M. A	No.
181	Bundel, Charles M., F. A	Pennsylvania	M. A	No.
449	Marmon, Joseph A., Inf	Ohio	Civ	Yes.
92	Baltzell, George F., Inf	Florida	M. A	No.
347	Bowen, Frank S., F. A	Nebraska	M. A	No.
154	Noyes, Samuel W., Inf	California	Civ	No.

List of officers proposed to be retired—Continued

P. L. 7-1-31		State	Source	Former enlisted service
211	Hunt, William E., Inf	New Hampshire	Civ	No.
418	Ryan, Lewis S., F. A	Nebraska	Vol	No.
109	Ingram, Ralph E., Inf	Massachusetts	M. A	No.
153	Spaulding, Oliver L., jr., F. A	Michigan	Civ	No.
218	Van Schaick, Louis J., Inf	New York	Civ	No.
339	Pope, Francis A., C. E	Kansas	M. A	No.
148	Croft, Edward, Inf	South Carolina	Civ	No.
349	Morey, Lewis S., F. D	Texas	M. A	No.
106	Miller, Harvey W., A. G. D	New York	M. A	No.
LC-20	Pillow, Jerome G., Cav	Arkansas	M. A	No.
374	Tompkins, Edmond R., Q. M. C	South Carolina	Vol	No.
78	Anderson, Thomas M., Inf	Texas	Army	Yes.
80	Ferguson, Hatley B., C. E	North Carolina	M. A	No.
259	Morris, John E., Inf	Louisiana	Vol	No.
122	Brown, Laurence C., C. A. C	New York	Army	Yes.
LC-13	Peace Willis G , C. A. C	North Carolina	M. A	No.
223	Smith Allen jr., Inf	Washington	Civ	No.
LC-24	Sterling E. Kearsley, Cav	Michigan	M. A	No.
217	Hobbs Horace P., Inf	Pennsylvania	Civ	No.
121	Fry Edgar A., Inf	Kansas	Vol	No.
182	Halstead Laurence, Inf	Ohio	M. A	No.
348	Doyle Fred C., F. A	Massachusetts	M. A	No.
465	Bryson James H , F. A	Georgia	Vol	No.
213	Whitside, Warren W., Q. M. C	Tennessee	Civ	No.
156	Parrott, Ralph B., A. G. D	New Jersey	Civ	No.
192	Oliver, Llewellyn W., Cav	Michigan	M. A	No.
352	Harvey, Charles G., Q. M. C	Missouri	M. A	No.
89	Helms, George W., Inf	Virginia	M. A	No.
96	Bottoms, Sam F., Q. M. C	Texas	M. A	No.
LC-9	Smith, Walter D., F. A	Maryland	M. A	No.
107	Bricker, Edwin D., Ord	Pennsylvania	M. A	No.
117	Scales, Wallace B., Cav	Texas	M. A	No
326	Bugbee, Fred W., Inf	Kansas	Vol	No.
88	Sirmyer, Edgar A., Cav	Michigan	M. A	No.
183	Vay Duyne, Frederick W., Q. M. C	New Jersey	M. A	No.
318	Voris, Alvin C., Sig. C	Illinois	Vol	No.
163	Kemper, James B., Inf	Ohio	Civ	No.
194	Peyton, Ephriam G., Inf	Mississippi	M. A	No.
324	Danforth, Charles H., A. C	Maryland	Vol	No.
187	Brown, Fred R., Inf	Illinois	M. A	No.
83	Miller, Claude H., Inf	Virginia	M. A	No.
LC-18	Brown, Lewis, jr., Cav	Rhode Island	M. A	No.
135	Graham, James M., Inf	California	Civ	No.
423	Burt, William H., F. A	Vermont	Vol	No.
LC-11	Jordan, Harry B., Ord	Washington	M. A	No.
114	Babcock, Conrad S., Cav	New York	M. A	No.
309	Smith, William O., Q. M. C	Missouri	Civ	No.
445	Walker, Richard W., Cav	Tennessee	Vol	No.
429	Lawson, Laurin L., F. A	Washington	Vol	No.

The following recapitulation shows the number of officers that will be retired from each State:

Alabama	1
Arkansas	3
California	3
Colorado	1
Connecticut	3
Delaware	1
District of Columbia	1
Florida	1
Georgia	6
Illinois	9
Indiana	2
Iowa	4
Kansas	7
Kentucky	5
Louisiana	3
Maine	1
Maryland	7
Massachusetts	5
Michigan	10
Minnesota	5
Mississippi	4
Missouri	6
Montana	1
Nebraska	4
New Hampshire	1
New Jersey	6
New Mexico	1
New York	20
North Carolina	5
North Dakota	1
Ohio	14
Oklahoma	1
Pennsylvania	13
Rhode Island	1
South Carolina	7
South Dakota	1
Tennessee	7
Texas	7
Utah	2
Vermont	2
Virginia	7
Washington	5
West Virginia	3
Wisconsin	1
Wyoming	2
Total	200

Source from which appointed:	
Emergency officer	8
Army	27
Volunteers	71
Military Academy	65
Civil	29
	200

It can be seen that because of the provisions of this bill you will be eliminating Gen. John F. Preston, who is the Inspector General of the Army; Gen. Charles H. Bridges, who is The Adjutant General of the Army; Gen. Henry C. Whitehead, who is Assistant Quartermaster General; Gen. Francis Parker, who is Chief of the Bureau of Insular Affairs. You are eliminating men like Col. William K. Naylor, Chief of Staff of the Second Army Corps, and who in war time was chief of staff of the Thirty-third Division, American Expeditionary Forces, and Col. William C. Gardenshire, of the Quartermaster Department, who was the division quartermaster of the Thirty-third Division, American Expeditionary Forces, and afterwards corps quartermaster of the Ninth Army Corps, American Expeditionary Forces. You are also, under the bill as presented, displacing the following: Gen. Thomas Q. Ashburn, Chief of Inland Waterways Corporation; Gen. John W. Gulick, Chief of Coast Artillery; Gen. Harry G. Bishop, Chief of Field Artillery; Gen. Stephen O. Fuqua, Chief of Infantry; Gen. Guy V. Henry, Chief of Cavalry; Gen. Irving J. Carr, Chief Signal Officer; Col. Kyle Rucker, formerly Judge Advocate, Third Army, American Expeditionary Forces. All of these are among the outstanding officers of the entire Army.

There will also be eliminated in this list officers like General Foulois, who is Chief of the Air Corps of the Army and one of the outstanding airmen of the world.

Mr. BYRNS. Will the gentleman yield?

Mr. CHIPERFIELD. I yield.

Mr. BYRNS. Has the gentleman overlooked the fact that there is a 5 per cent provision here, which will enable some of those men to be retained?

Mr. CHIPERFIELD. No. I realize what the gentleman has in mind; and of the 2,000 officers to be retired, that leaves 1,900 who will be eliminated solely by reason of age. Under the provisions of the bill as it now stands, these 1,900 are subject to no discretion, but only the arbitrary rule that is set up in the bill.

Mr. BACON. Will the gentleman yield?

Mr. CHIPERFIELD. I yield.

Mr. BACON. Further in reply to the gentleman from Tennessee, in taking into consideration the 5 per cent, it will eliminate 79 officers who are marked "superior," 997 who are marked "excellent," and only 710 officers who are class B.

Mr. CHIPERFIELD. I sincerely thank the gentleman from New York for his contribution.

I have been furnished by the gentleman from New York [Mr. BACON] with a table which is extremely interesting and shows the efficiency rating of the promotion list of officers who would be retired under the provision of the Army appropriation bill as introduced.

The table is as follows:

	Infantry	Cavalry	Field Artillery	Coast Artillery	Signal Corps	Engineers	Air Corps	Finance	Chemical Warfare	Quartermaster	Adjutant General	Judge Advocate	Philippine Scouts	Ordnance	Total
SUPERIOR															
Colonels	3	3	1	0	0	1	0	0	0	1	1	2	0	1	13
Lieutenant colonels	8	2	1	3	0	2	0	2	1	0	1	1	0	0	21
Majors	4	0	2	0	0	1	0	7	1	0	1	2	0	1	19
Captains	2	3	1	2	0	0	0	1	0	6	0	0	0	0	15
First lieutenants	4	1	2	0	0	1	0	1	0	1	0	0	0	1	11
Total															79

	Infantry	Cavalry	Field Artillery	Coast Artillery	Signal Corps	Engineers	Air Corps	Finance	Chemical Warfare	Quartermaster	Adjutant General	Judge Advocate	Philippine Scouts	Ordnance	Total
EXCELLENT															
Colonels	17	11	2	4	0	4	0	3	0	6	4	2	0	2	55
Lieutenant colonels	19	10	0	5	1	0	2	3	0	9	4	1	0	1	55
Majors	64	1	10	14	3	12	6	21	4	23	3	24	6	7	198
Captains	87	15	20	19	14	14	16	17	3	116	3	6	1	7	338
First lieutenants	89	15	33	19	8	19	83	10	10	52	0	3	7	3	351
Total															997
SATISFACTORY															
Colonels	6	2	0	6	0	0	0	0	0	2	0	0	0	1	17
Lieutenant colonels	11	7	3	2	0	0	2	0	0	2	0	0	0	1	28
Majors	42	3	12	8	0	5	2	0	0	10	0	7	3	5	97
Captains	97	12	15	12	8	7	6	7	0	87	0	2	3	11	267
First lieutenants	86	5	38	10	7	4	83	2	1	47	0	0	12	6	301
Total															710

It will be observed that of this officer personnel 1,076 are "superior" and "excellent."

Now, it has been said that we have at the present time an excessive officer personnel. Let us look the situation squarely in the face. If war comes—and I can not say it too reverently, and any man who has had any military experience will say the same thing—if war comes, which God forbid, how utterly insufficient our officer personnel would be with a potential Army at war strength of 4,000,000. Approximately 10,000 officers are now on the promotion list. I have not recently seen the figures, but when we were ready to make an effective move against the enemy in the great World War our Army had an officer personnel of at least 200,000.

Under such conditions we would be 190,000 officers short, under the existing conditions. I do not have any idea how speedily you could supply the deficiency of 190,000 officers. I do know that under the national-defense plan you can not afford to reduce further the officer personnel by 2,000.

I want to call your attention to an actual condition that is very illuminating that arose in the World War. The Princess Pat Regiment, as brave a regiment of Canadians as ever lived, officered by just as brave men as ever trod in shoe leather, but who of necessity had no great experience, was decimated by not staying behind their own rolling barrage. Due to a lack of proper judgment they went into this barrage, and they were killed by scores. There is no man in this House who has any military experience who does not fully realize and understand that the fatalities among our men were greatly augmented by the lack of previous experience of our officers who, called suddenly to service, did the best they knew how. But that best was not good enough. For doing the best they could they are entitled to great credit.

The gentleman from Mississippi [Mr. COLLINS] said that there is now 1 officer to every 9 enlisted men in the Army. That may be true if all you consider is the Regular Army, but I want you also to consider the conditions as they actually exist, and you can not afford to shut your eyes to them.

Composing the United States Army—and let nobody misquote me—and its various military components outside of and beyond the 118,000 regular troops, we have a large force, all of which in a certain sense now constitutes the Army of the United States. It is maintained without any great expense to the Government. Its composition is as follows:

Enlisted men, Regular Army	118,750
Philippine Scouts	6,500
National Guard	187,000
Organized Reserves	108,000
Reserve Officers' Training Corps	127,000
Citizens' military training camps	37,500
Total	584,750

On this basis it will be observed that there is but 1 officer to 48 trainees and soldiers of the Army of the United States.

I desire, in connection with my remarks, to submit some data that have been prepared by the War Department to cover this situation. It is as follows:

RESULTING CURTAILMENT OF ARMY ACTIVITIES

8. In framing the national defense act it was the intention of Congress to embody in law the following essential elements of national defense:

a. To provide an Army of the United States consisting of three components—the Regular Army, the National Guard, and the Organized Reserves.

b. To organize this Army into the military units necessary to form the basis for a complete and immediate mobilization of the Nation's manpower in a national emergency.

c. To make provision for the mobilization of the Nation's material resources and the maintenance of war reserves as an element in mobilization.

9. To carry out the responsibilities imposed by the act, the Regular Army is called upon to furnish officers for all manner of important duties beyond the limits of the Regular Establishment itself. The number of officers now assigned to duty with the civilian components, about 1,650, is considerably below the number demanded. The proposed reduction in the commissioned personnel of the Regular Army, combined with the relief of all retired officers now on active duty as is also contemplated by the bill, will necessarily result in a drastic curtailment of the activities of the Army in administering the forces of the National Guard (187,000), the Organized Reserves (108,000), and the Reserve Officers' Training Corps (127,000).

The national defense act originally provided for a corps of approximately 18,000 regular officers. Appropriations in recent years have limited this number to an average of 12,000. The War Department has reported to Congress that the minimum number of officers required in the Regular Army to enable it reasonably to carry out its mission is 14,063. This number is required to enable reasonable provision to be made for the training of the civilian components; to maintain a small, balanced, mobile force for emergencies; to man in part the seacoast defenses of the continental United States; and to allow reasonably adequate garrisons in the overseas possessions.

10. Even with the force of 12,000 officers now provided, the calls for assignments to duty with the National Guard, the Organized Reserves, and the Reserve Officers' Training Corps can not be met, while the present shortage of officers with troop units of the Regular Army is a matter of grave concern to the War Department. A reduction of 2,000 officers and the relief of the 134 retired officers now on active duty would force the War Department to curtail many essential activities to an extent that would practically nullify the provisions of the national defense act. A cursory survey of the situation indicates that the following reductions in the numbers of promotion-list officers now assigned to highly important duties would be necessary:

	Number	Per cent
Foreign garrisons	336	20
Duty with the National Guard	229	50
Duty with the Organized Reserves	227	50
Duty with the Reserve Officers' Training Corps	308	50
Instructors at service schools	88	30
Students at special service schools, except flying schools	414	50
Students at general service schools	157	50
Instructors at the U. S. Military Academy	38	20
Officers on recruiting duty	42	50
	1,839	

11. There are, at the present time, no more officers assigned to overseas garrisons than are necessary properly to officer the units assigned to those garrisons. A reduction in the number of officers at these strategic outposts would seriously handicap their

powers of resistance. The importance of maintaining these defenses upon an efficient basis is vital in the present state of world affairs. Their reinforcement in an emergency can not be counted upon. Each of them has its own strategic and tactical mission confined to restricted area. No use could be made of these garrisons in the continental missions assigned to the Army.

12. The service schools are highly important elements of our military system. The World War demonstrated the necessity of these schools for the training of officers. The small number of regular organizations which provide actual experience with troops makes them of increasing importance. This necessity is augmented by present-day specialization and the rapid development of means and methods of warfare. Just as trained officers are keystones in defense, the schools are keystones in the officers' training.

13. The proposed reduction in the non-promotion-list branches will necessitate a drastic contraction in the activities of the component corps of the Medical Department and of the Chaplains' Corps. Medical Department activities with the National Guard, Organized Reserves, and the Reserve Officers' Training Corps will have to be practically abandoned, and a very considerable reduction will have to be made in the present contribution of the Medical Department toward the care of veterans.

14. The report of the committee on the bill states that its provisions will not materially lessen the available officer strength in the event of war or national emergency, because the officers who are retired will continue to be subject to recall to active service. This statement entirely disregards the fact that the regular officer, in order to be prepared to discharge his duties under the exacting conditions of modern warfare, must be in a perpetual state of training and instruction. Officers on the retired list who would be compelled to engage in commercial activities in order to supplement their retired pay and support their families could not be expected to keep themselves abreast of the military profession.

SAVING EFFECTED

15. The report of the committee on the measure contains an estimate of $3,814,823 as the annual saving that would result from the retirement of 2,000 officers. This is an average of approximately $1,900 per officer and exceeds the estimates of the War Department. However, accepting the committee's estimate, the saving effected amounts to less than 3 per cent of the amount expended for pay of the Army. Such a saving is entirely insignificant in comparison with the damage which would be done to the national defense and the injurious effect upon morale of the commissioned personnel of the Army if the proposed legislation were adopted.

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

Mr. CHIPERFIELD. Mr. Chairman, may I ask unanimous consent to revise and extend my remarks?

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. COLLINS. Mr. Chairman, I yield myself 15 minutes.

Before I address myself to this particular proposal, Mr. Chairman, I shall refer briefly to the remarks that have been made here this afternoon about the committee not having consulted with General MacArthur and the Secretary of War relative to reducing the commissioned-officer strength of the Regular Army. I wish to reiterate a former statement that I made a day or so ago on the floor of this House that I wrote the Secretary of War a letter in December asking how much money might be taken off the War Department appropriation bill and where, provided 2,000 Army officers were eliminated. When General MacArthur testified I interrogated him on the subject; and when the Secretary of War, Mr. Hurley, came before the committee, after I had written to him, if you please, I asked him about economies in the War Department, and he said, quoting from page 1103 of the hearings:

If I knew a place where we could cut another dollar off this budget without impairment of the efficiency of the establishment, I would cut it off, and I would tell the chairman where to find it, and tell him we did not want it.

Now, then, we have heard men say economies will be pointed out by the War Department in lieu of those proposed by the committee. Why did they not tell us of these economies during the hearings? Gentlemen, you simply can not further reduce the military appropriations without touching personnel.

Let us see what the President of the United States has said about reducing military and naval expenditures. You have heard the gentleman from Indiana [Mr. WOOD], former chairman of the Committee on Appropriations, state a conversation he had had to-day with the President of the United States.

That statement made by the President of the United States to-day is in line with every statement he has made in the past with reference to economies in the Military and Naval Establishments.

On the 23d day of July, 1929, President Hoover, in an economy appeal, said:

The American people should understand that current expenditures on strictly military activities of the Army and Navy constitute the largest military budget of any nation in the world to-day, and in a time where there is less real danger of extensive disturbance to peace than at any other time in more than half a century. The hope of tax reduction lies, to a large degree, in our ability to economize on the military and naval expenditure and still maintain adequate defense.

There is a statement by the President of the United States, made just after the close of the fiscal year 1929, during which, according to the President's own figures, there had been an expenditure of $676,141,317, divided between the Army and the Navy.

Now, let us see what the estimated expenditures are to-day, for the fiscal year 1933, as given us by the Director of the Budget; not appropriations, but expenditures, for it was expenditures the President used at that particular time. What do they aggregate? Counting exactly what we are going to spend, as estimated by the Budget, and omitting the reduction that already has been made in the naval appropriation bill and the reduction proposed in this bill, we find they aggregate $666,000,000, as compared with $676,000,000, which were the expenditure figures for the fiscal year 1929 at the time the President made his statement in July of that year. Just $10,000,000 less!

Now, listen, gentlemen. Figuring the then purchasing value of the dollar at 100, and figuring the present purchasing value of the dollar at 140, which it is, what do we find as the estimated expenditure total for the War and Naval Departments of this Government for the next fiscal year? Listen, if you please, $932,400,000. Yet men will rise on the floor of this House and say that the pacificists of this country approve this bill as it comes from the committee! If pacifists are saying that, I should say we need not be unduly alarmed by such pacifists. Nine hundred and thirty-two million four hundred thousand dollars! I want to know if the membership of this House desires to give this country a military and naval budget in times like these comparable to what is being proposed in some quarters here to-day?

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

Mr. COLLINS. No; I am very sorry, I can not yield.

With reference to this particular paragraph of the bill, we all know that a second lieutenant ought to be a first lieutenant in 3 years, that he should become a captain in 10 years, a major in 17 years, a lieutenant colonel in 22 or 23 years, and so on up the line. With the officers in the establishment as it is now, it is an impossibility for the young officers to receive proper promotion. They become overage before they can pass into higher grades and assume duties commensurate with their ages, and duties which the country would expect of them in the event of an emergency.

You are not helping the military-defense power of this Nation by making it impossible for the younger men who are going to fight our next wars, in the event we have them, to be advanced in grades.

You are not helping the situation by allowing them to remain in a position where they are going to be incompetent to perform the duties you will expect of them.

What did the Interdepartmental Pay-Personnel Board, of which General Simonds, one of the greatest officers we have had in this country, was the chairman, say about this matter? Let me read from the report of that board:

It can not be expected that any increase in attrition that can be produced by lowering the retirement age or liberalizing voluntary retirement will result in sufficient elimination to produce a desirable rate of promotion. A certain number of compulsory removals from the active list will still be necessary, and these removals, in order to produce the desired effect, must be confined largely to the officers appointed on or before July 1, 1920; i. e., to the pre-war and World War groups. * * * The proper method for obtaining the number of compulsory terminations of active service that are necessary after the resources of retirement for age and physical disability and voluntary retirement have been ex-

hausted is by having a representative, disinterested, and impartial board select annually the officers who are to be removed from the active list in order to bring about the total attrition that is required. Provided such a board is allowed due latitude in the discharge of its task, the result so obtained can be expected to be in the best interest of the service.

This is not a statement from a layman. This is a statement from the report of the Interdepartmental Pay-Personnel Board, the membership of which, representing the War Department, was appointed by the War Department itself. That board stated that there would be need to resort to forced attrition.

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

Mr. COLLINS. I am sorry, but I can not yield.

What does General MacArthur propose as a solution of the stagnated-promotion situation? General MacArthur stars certain officers who are not considered as overage for their grades and he leaves unstarred the rest of them. The starred men, in effect, constitute, under his plan, the promotion list of the Army. The rest of them are dead weight. His plan admits that they are dead weight. Every time a starred officer goes up he takes with him every unstarred officer in front of him, which means that they are carried along as dead weight.

This amendment and the amendment of the gentleman from South Carolina [Mr. McSWAIN] provide that these overage officers, or at least those of them who have not satisfactory fitness reports, shall be retired from service, but in that status they will be just as much available to the Government as they are now. We are not losing the services of a single one of them.

What does the national defense act provide as far as officers and men are concerned? It provides for 15,035 officers and 280,000 enlisted men. Applying these figures to our peace-time Army of 118,750 men it gives us 6,377 officers, or slightly more than half the number we have now. All of the so-called higher-ups in the Army approved the ratio as between officers and men at that particular time.

Then consider, if you please, the forces we maintain in our foreign possessions, like Hawaii and Panama, our troops stationed in China, and so on.

We will find that the proportion of officers to men on duty now at those places is about 1 to 20. Applying that proportion, we would need 5,900 officers instead of 12,000 plus.

What did General Pershing say in his book about the organization of the American Expeditionary Forces? A division consisted of 979 officers and 27,082 men, 1 to 30; for a brigade, the ratio was 1 to 35; and for a company, 1 to 41. That would give us, according to the division figures, for our Army now, 3,900 officers. On the basis of 1 to 35, 3,390 officers instead of 12,000 plus, and on the basis of 1 to 40, 2,190 officers. So after these 2,000 are taken off, we will have a large surplus of officers according to any figures you can name.

Now, then, what about the British? I have stated heretofore that the British have about the same number of enlisted personnel in their regular army and in its different civilian branches as we have—approximately 550,000 men. They have 23,079 officers; we have 129,792. They have an officer for every 23.9 men, while we have an officer for every 4.9 men.

[Here the gavel fell.]

Mr. COLLINS. Mr. Chairman, I yield myself one additional minute. Then, with regard to the proportion of officers to man power in the other countries, we find that France has an officer to every 18 plus men; Italy has an officer for every 21 plus men; Japan, 1 to 14 plus men; Great Britain, 1 to 15 plus men; and the United States, 1 to 9 men, counting its Regular Army only.

In conclusion, gentlemen, let me say this: The amendment offered by the gentleman from South Carolina [Mr. McSWAIN], I think, is an exceptionally well-drawn amendment. It contemplates a different basis for separations, but its primary purpose is the same as the provision proposed by the committee, and it is my intention to accept it as the committee amendment. [Applause.]

Mr. BARBOUR. Mr. Chairman, I yield five minutes to the gentleman from New Hampshire [Mr. ROGERS].

Mr. ROGERS. Mr. Chairman, in reading the bill which is before us for consideration and the report of the committee thereon the first thought that came to my mind was that we must be approaching the millenium; that we were about to witness the days "when the war drums beat no longer and the battle flags are furled, in the parliament of man, the federation of the world." When we face the facts, however, and remember that to-day more than any time since the end of the World War we see on the horizon of this Nation and all over the world a spirit of national and international unrest and disturbance we must realize that notwithstanding the universal cry for economy the United States of America must take steps to see to it that its national arms of service—the Army and the Navy—are equipped to sustain the national manhood and honor of this great Nation. [Applause.]

When we read this bill and find that it calls for the elimination of 2,000 Regular Army officers, the virtual wiping out of our Organized Reserve, of the Reserve Officers' Training Corps, the citizens' military training camps, and the National Guard, I say to you we are going too far and we must call a halt on any such proposed legislation, no matter who demands it, if we are true to our oaths of office and intend to preserve the integrity of this Nation. [Applause.]

I use as my own words the language which I saw in an editorial printed day before yesterday, and which reads as follows:

There is one small economy project that is loaded with dynamite—the proposal to reduce the officers of the Army by 2,000 and to cut out the funds for the Reserve Officers' Training Corps entirely and for the citizens' military training camps for a year. This is not economy. It is lunacy. The country learned what such economy meant in 1917. It is still paying the bill for it and will continue to pay that bill for the next 50 years. It does not want the mistake repeated in 1932.

We are now the seventeenth nation of the world in the organization of our military forces, and we are the only nation among those 17 which is attempting to-day to cut down its national defenses.

The President of this Nation told us on March 26, in his message on balancing the Budget, in effect that "we ought to keep ever in mind the American citizen"; and he said, "we should not further reduce the strength of our defense." [Applause.]

The Army has been fair in this matter. It has reduced its budget by over $38,000,000, and to-day the representatives of the Army say they were willing to cut off $10,000,000 in subsistence of the Army, clothing and equipage, housing, barracks, and quarters, as well as Army transportation. So if we should adopt these measures we will save nearly $50,000,000. I think we will thus perform our duty to our country in the matter of economy so far as it applies to this bill, and at the same time we will preserve our national integrity and our national defense, which as American citizens is our greatest obligation. [Applause.]

[Here the gavel fell.]

Mr. BARBOUR. Mr. Chairman, I yield five minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, I am going to support the McSwain amendment if it comes to that point, because I believe that is the proper way to eliminate whatever officers should happen to be eliminated.

Frankly, I think it is ridiculous to go ahead and try to cut off 2,000 officers at this time. I think there are some overage officers who are out of place and who are not able to render service. I think perhaps we might be able to cut down our officer personnel by 500 without doing any damage, and I believe this would help to clean up the situation. But now is not the time to cut down our officer personnel to the point of weakening national defense.

Mr. BEEDY. Will the gentleman yield?

Mr. TABER. Yes.

Mr. BEEDY. It may be worth while to put in the RECORD the fact that the witness quoted by the gentleman from Mis-

sissippi, General Simonds, did not recommend any cut in the officer personnel such as that now proposed by the committee.

Mr. TABER. That is true. At the same time, there are so many officers above what might be called useful age in the Army that we would not be weakening our national defense if we cut the number down by something like 500, in my opinion, because we have first lieutenants who are 61, captains who are 64 and 61 and 60, and you can not tell me that you need officers of that type who are above useful service age. They can not be rendering efficient service and they could not be of use if we got into trouble. I hope we will not have such trouble, but I believe we could cut down a little, although I have no idea we could go as far as the committee has proposed and cut the number of officers 2,000 at this time. You would then eliminate captains who are as young as 40, and I do not believe we ought to do anything of that kind.

I am going to offer a substitute, when the time comes, to cut down the number approximately 500. I do not think we ought to go a bit farther, because you would be cutting into the useful, efficient personnel which we need to build up by the influx of new men in the organization—graduates of the Military Academy.

I believe there are other places in the bill where we can cut more than enough to make up for what we might save on this proposition.

I believe in economy. I believe in cutting down expenses just as far as we can, but we must not cut them at the expense of absolutely necessary national defense.

Mr. FIESINGER. Will the gentleman yield?

Mr. TABER. Yes.

Mr. FIESINGER. Will the gentleman discuss for a moment the question of the recall of these officers? I have been troubled a good deal about that.

Mr. TABER. These officers would go on the retired list, of course. They could be recalled if the Government wanted to recall them at any time in case of emergency. They would not be on the pay roll except for retired pay, but they or General MARTIN or any other officer who is on the retired list could be recalled to active service in time of emergency, and at the time of the late war they were so recalled in very large numbers and put at work where they could serve useful purposes.

Mr. FIESINGER. Then they would not be lost to the service. That is the point I am making.

Mr. TABER. I do not think they would be lost to the service entirely.

Mr. FIESINGER. Would their efficiency be lessened?

Mr. TABER. Their efficiency would not be lost to the service. Of course, if you reduced the personnel of the active Army too far, you would get to the point where you could not make your Army effective and use it the way it ought to be used. This is especially true with the large number of officers that have to be detailed in increasing number to the Air Corps, and, of course, you know that in our Army we have practically 1,200 officers in the Engineer Corps, which is a service not comparable with any military service of any other government.

Mr. FIESINGER. Is the gentleman going to offer an amendment to the amendment bearing out his idea?

Mr. TABER. Yes.

[Here the gavel fell.]

Mr. BARBOUR. Mr. Chairman, I offered the amendment to restore the 2,000 officers to the commissioned personnel of the Army because I conscientiously believe that to eliminate these 2,000 officers is not in the interest of economy and, furthermore, is not in the interest of our national defense. It would be a permanent reduction in the officer personnel of the Army. We are told these men would go on the retired list and that we could call on them at any time, but we know that these men when they are on the retired list are not kept in that state of preparedness and training that is necessary to make an efficient Army officer, and to that except their retirement is going to be a dead loss to the Government.

It is planned to retire them at three-quarters base pay and three-quarters longevity pay. For that they return no service to the Government. In many cases we will have to hire civilians to do the work, and it is my opinion that it will cost more in actual dollars and cents to retire these officers than it will to keep them on the active list.

There is one thing that has surprised me in the debate this afternoon, and that is the attitude of several members of the Military Affairs Committee who have told us about the hump of World War officers preventing the promotion of younger officers. That hump has existed since the World War.

For the past 12 or 14 years that hump has been there and one of the problems of the War Department has been to try to remove it and give an opportunity for promotion.

Bills have been sent to the Military Affairs Committee and suggestions made as to how to remove the hump.

In the hearings on the War Department appropriation bill the chairman of the subcommittee asked the Chief of Staff what his solution of the problem was, and he said, "My solution is the bill that was approved by the Secretary of War eight months ago and sent to the Military Affairs Committee."

This is a legislative proposition, because it changes the substantive law relating to matters of this kind. Why, then, has not the Military Affairs Committee come in with a legislative bill instead of coming here and advocating legislation—because that is the effect of it—legislation on an appropriation bill?

I do not care whether under the technicalities of the Holman rule this language in the bill is in order or not, the effect of it is to change the fundamental law relating to national defense, and is, therefore, legislation.

I am surprised to see the gentleman from Alabama and other members of the Military Affairs Committee come before the House to-day and advocate this change of substantive law as an amendment on an appropriation bill.

If we are going to do that, if we are going to legislate on appropriation bills, why not discontinue all the other committees of the House of Representatives and give the Appropriations Committee full power and jurisdiction over all matters of legislation that come before this House?

I am a member of the Appropriations Committee, but I do not believe in anything of that kind. That is why I am opposed to legislation on appropriation bills, because it is not the right way to do things.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. BARBOUR. I yield.

Mr. OLIVER of Alabama. Did the gentleman oppose the Anthony bill in 1922?

Mr. BARBOUR. I was not a member of the Appropriations Committee in 1922.

Now, there is nothing further that I care to say on this matter. I think it has been fully presented to the House. I want to reserve two minutes of my time, because I promised some time to the gentleman from Massachusetts.

Mr. McDUFFIE. Will the gentleman yield?

Mr. BARBOUR. Yes.

Mr. McDUFFIE. It has been suggested that there are other places in the bill where we can effect economy.

Mr. BARBOUR. Yes.

Mr. McDUFFIE. Wherein can we bring back economy if we do not start here?

Mr. BARBOUR. On flood control and rivers and harbors.

Mr. McDUFFIE. Anything else?

Mr. BARBOUR. That is enough. Right there you can more than cover the additional cost of putting back these officers. It will cost nine and a half million dollars to put back the 2,000 officers, the Organized Reserves, the Reserve Officers' Training Corps, and the citizens' training camps—$9,500,000 is what it will cost. Sixty million dollars is appropriated in this bill for rivers and harbors, and not a dime has been cut off that appropriation. We can cut $10,000,000 off rivers and harbors, leaving $50,000,000, as much as was carried annually up to two or three years ago. The flood-control provision of the bill amounts to $32,-

500,000. At the rate we are going now that whole flood-control project will be completed within four or five years. A large part is completed now. We can save a few millions off that for the fiscal year 1933 and not take any chances of seriously interfering with the work whatsoever. These reductions in these two items could be for one year alone. That is only a suggestion that I make. We can take $10,000,000 off rivers and harbors for one year and from $5,000,000 to $8,000,000 off flood control for one year, and no harm will be done and we will be saving more money than this bill proposes to save by the elimination of these officers and the other activities which so undermine and weaken our whole system of national defense.

Mr. McDUFFIE. Where is the other $6,000,000 that we were to get out of the bill that the President talks about?

Mr. BARBOUR. I have suggested $15,000,000 more than the proposed cut so far as officers are concerned.

Mr. BYRNS. Do I understand that it is the idea of the gentleman that in this time of unemployment, when we are talking about appropriating hundreds of millions of dollars to afford employment, that he would cut $10,000,000 or more from the river and harbor and the flood-control appropriations?

Mr. BARBOUR. Everything proposed to be done in this bill, so far as cuts are concerned, will result in unemployment.

Mr. BYRNS. Oh, no; not with reference to these 2,000 officers. They are retired, and not one of them will receive less than $1,800 a year for the remainder of his life, and he is subject to call whenever there is a demand for his services. How is the national defense hurt in that way?

Mr. BARBOUR. All through the bill there are cuts in appropriations for supplies, automobiles, trucks, equipment of various kinds, and one thing and another which will result in unemployment. You can not make those cuts without causing unemployment. We can save money a whole lot better in the way I have suggested than in the other propositions in the bill. The gentleman has asked where further savings can be made and I have told him. The effect on employment would be no different than in the cuts that he advocates.

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

Mr. BARBOUR. Yes.

Mr. WHITTINGTON. What reduction does the gentleman suggest for flood control in the Sacramento River?

Mr. BARBOUR. We will take our share of the cut.

Mr. WHITTINGTON. But what is that share?

Mr. BARBOUR. It is the same proportion that the gentleman will take on the Mississippi River.

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

Mr. BARBOUR. Yes.

Mr. LaGUARDIA. I suggest to the gentleman that the figures of the Engineer Corps show that every million dollars of river and harbor appropriation represents 60,000 labor days, and every million dollars of flood-control appropriation represents 77,000 labor days.

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

Mr. BARBOUR. Yes.

Mr. SCHAFER. The Republican leader, the self-appointed spokesman for the President, the gentleman from Indiana [Mr. WOOD], on the floor of the House, when indicating that the President was in favor of retiring these 2,000 officers, also told us that the British Regular Army officer strength was 5,000 officers, when the fact is that the British Regular Army officer strength is 22,322, and the French Regular Army officer strength is 32,317.

Mr. BARBOUR. Mr. Chairman, I just want to make this statement, in conclusion.

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

Mr. BARBOUR. No; I can not yield. I have not the time. The gentleman from Tennessee speaks of causing unemployment. There are cuts and reductions all through this bill for manufactured articles, such as trucks, automobiles, and other things, that are going to result in less employment. The effect can not be otherwise. I yield the remainder of my time to the gentleman from Massachusetts [Mr. CONNERY].

The CHAIRMAN. The gentleman from Massachusetts is recognized for one and one-half minutes.

Mr. CONNERY. Mr. Chairman, in the one minute and a half all I desire to say is that I am in favor of keeping these 2,000 officers in the Army. I believe you can not make an officer over night; and I do not believe, because a man has reached the age of 45 or 50 years, that his brain has deteriorated to such an extent that he should be eliminated. I think we need these men in the service. Furthermore, we are not dealing here with just a small regular Army, but we are dealing with a proposition where, if war were declared to-morrow, we would need to officer and commission a potential army of 4,000,000 men, already arranged for under the plans of the General Staff of the War Department. I hope the House will not vote to eliminate these 2,000 officers. [Applause.]

Mr. COLLINS. Mr. Chairman, I yield 15 minutes to the gentleman from Alabama [Mr. OLIVER].

Mr. OLIVER of Alabama. Mr. Chairman, during the period of my membership in the House, I have found that its Members are not greatly interested in personal recriminations, but they are always willing to carefully weigh and give thoughtful consideration to facts and information pertinent to the subject under discussion. I regret that my friend, the distinguished gentleman from Oregon, General MARTIN, so far forgot himself as to be just a little ungracious in his reference to the Committee on Appropriations and to the chairman of its subcommittee handling War Department appropriations. Knowing him as I do, I believe when he has had time to carefully read his remarks of last Tuesday he will of his own volition eliminate some of the things said by him in the heat of the debate.

There can never be any sound reason why a Member, no matter what his professional training may have been, should feel called on to exclaim, "My God, it makes one's blood boil to think that such things could be done," referring in this instance largely to the fact that the Committee on Appropriations should permit one of its members to quote with approval the opinions and conclusions of world-recognized military authorities, who were mere captains or majors, on the subject of how to modernize an army so as to improve its mobility, its communication, and efficiency.

Let me here say, however, that primarily my reason for asking this time was to call attention to certain statements made during the discussion of this bill by the gentleman from Oregon, General MARTIN, and the gentleman from Illinois [Mr. CHIPERFIELD], in which they expressed very deep interest and real anxious solicitude for World War emergency officers and others commissioned in the Regular Army after July 1, 1920, pursuant to the national defense act as amended by House bill 12775, approved June 4, 1920—the direct effect of which act was to provide liberal promotions for many regular officers to high grades, especially to the grades of major, lieutenant colonel, and colonel.

It was most pleasing to hear the wonderful tribute which the gentlemen from Oregon and Illinois paid to and the solicitude expressed by them for these deserving emergency officers—the large bulk of whom are still in the grades of captain and lieutenant, with absolutely nothing to look forward to in the future for an Army career, unless remedial legislation reducing the number of officers in the manner suggested by the McSwain amendment is adopted.

Let me briefly summarize what the gentleman from Illinois [Mr. CHIPERFIELD] said, so you may understand how he and the gentleman from Oregon feel toward the deserving emergency officers, whom he refers to as men who performed well their duties to their country in the World War. Said he:

> The Army needs the influence of these men who came from civil life. You can not well dispense with these men. Their loss would be great and irreparable. They started out in the profession

of arms, and they had a right to anticipate promotion with increase of pay—

Note those words—

that they might stay in the service until retiring age.

From other statements I am justified in concluding, I think, that the gentleman from Oregon, General MARTIN, is in hearty accord with these views so eloquently expressed by the gentleman from Illinois.

To both of these gentlemen—former distinguished Army officers of high rank—let me say that certain high officers of the Army who prepared, supported, and had passed the national defense act as rewritten and amended by H. R. 12775, approved June 4, 1920, were certainly not in sympathy with your evaluation of the worth of these emergency officers, which is unmistakably evidenced by their unfair interpretation and administration of such act and by their proposals to forcibly eliminate this group from the service subsequent to June 4, 1920, as I will later show. What occurred after regular officers, by virtue of this act, were rapidly promoted to permanent rank in high grades, when viewed retrospectively, furnishes another striking example of the old, old human story of men, clothed with authority and high responsibility, yielding to the selfish impulse of appropriating everything possible for themselves even at the cost of grave injustice and wrong to others equally as deserving.

Listen to some record facts cleverly interrelated, and see if the statement just made is not supported by reasonable deductions therefrom. As early as the latter part of 1919 great affection and solicitude were expressed for the enlisted personnel by officials in the War Department, who appeared before the House Committee on Military Affairs, and urged an increase in the pay of the enlisted personnel. A bill was afterwards reported carrying substantial increases for the enlisted personnel for a definite length of time, and passed by the House, the materiality of which will later appear. When the bill reached the Senate a substantial bonus increase for the same period was added for the officer personnel, which was agreed to in conference, effective about January 1, 1920.

In the meantime a drive was being put on for rewriting in a large and liberal way the 1916 national defense act. The need for more officers, it was pointed out, was imperative. Need for strengthening the National Guard, for enlarging the Reserve Officers' Training Corps units, and for making liberal authorizations for Reserve Officers' Training Corps, citizens' military training camps, and reserve officers' training camps were urged. In this connection it was proposed to increase the officer personnel of the Army to approximately 18,000, which, it was explained, would provide permanent commissions for more than 5,000 meritorious and capable war emergency officers, which, by the way, was the effective argument making possible the amendment of the national defense act, approved June 4, 1920.

Under it all emergency officer commissions were to be surrendered, and the provisions of the act were cleverly prepared so as to create favorable public interest, due to many popular groups it affected, yet full control and a wide discretion were vested in the department, through its regular personnel, as to all promotions, appointments, and assignments to grades of those eligible for permanent commissions.

Now, this amended act of June 4, effective July 1, 1920, increased the number of major generals from 4 to 21, of brigadier generals from 19 to 46, and largely increased the numbers in all grades on the single promotion list, authorizing in such grades the following: Colonels, 599; lieutenant colonels, 675; majors, 2,245; captains, 4,490; first lieutenants, 4,266; second lieutenants, 2,064.

It seems now needless to say, except for the benefit of the uninformed, what happened, namely, those in the Regular Service were rapidly advanced to the higher grades, nearly all captains becoming majors—though some had very limited commission service—and the grades of lieutenant colonel and colonel were immediately also largely augmented. The great bulk, however, of that large number of capable and deserving emergency officers to whom the gentlemen from Oregon and Illinois have so tenderly referred were commissioned in the grades of captains and lieutenants, in which grades most of them are still found, and will continue to be found unless Congress seeks partially to right some of the wrongs done by giving approval to the committee's recommendation, with the perfecting amendment offered by the gentleman from South Carolina [Mr. McSWAIN], chairman of the Military Affairs Committee of the House.

The emergency officers—so dear to the hearts of many regular officers up to the time of the passage of the amended act of June 4, 1920—were commissioned in the low officer grades, thereby becoming stepping-stones on which the regular officers were lifted to permanent positions in the higher grades to which attention has just been directed.

Mr. McKenzie, a former chairman of the House Military Affairs Committee, well portrayed the situation during the hearings held on the service pay bill in 1921, when he said:

You are aware of the fact that there are hundreds and hundreds of young officers who have received very rapid promotion, and some of these older officers in both the Army and Navy that I see sitting around in the room probably served 10 or 15 or 20 or 25 years before they reached the point where they were drawing the pay that some of these younger men are drawing after two or three years.

Let me again ask my friends, the gentleman from Oregon and the gentleman from Illinois: Who will now undertake to justify this unjust, unfair treatment of these deserving emergency officers by the selfish use of authority wielded by those who became the immediate beneficiaries of its exercise?

Then what happened? In 1922 the scene shifts, and another story of human selfishness is written, and may I say to the gentleman from Oregon that while you can justly point with pride to the high skill and strategy shown by officers of the department in the preparation of war plans, yet never have they employed greater skill and strategy than that shown in the preparation and passage of personnel legislation on the Hill. In 1922, I repeat, the scene of 1920 changes. The Army now wants an adjusted pay bill carrying permanent increase pay for the officer personnel.

The groundwork was laid for this 1922 drive in the previous acts of 1919 and 1920, to which reference has been made, and which served to largely increase the officer personnel, granting temporary increases in pay to both officer and enlisted personnel and providing for the appointment of a joint committee of the Senate and House to report in 1922 on the matter of a permanent adjusted pay bill. Then, as now, there was much talk in Congress about effecting economies, so the first thing the Army and other affected services did was to announce that the permanent adjusted pay legislation, which they favored, would be so drawn as to appropriate less money in the fiscal year 1923 than would be required under existing permanent and temporary bonus legislation. Listen to the strategy employed to accomplish this result.

They first announced, for reasons you can readily surmise, an earnest desire to include in the adjusted pay act the Public Health Service, the Coast and Geodetic Survey, and to make liberal provision for our citizen soldiers—the National Guard. Next, they sought to further popularize this legislation for increased pay by introducing in the House a bill to reduce the officer personnel of the Regular Army by 2,000 or more (the increase of 1920 having now effectively served its purpose). Another bill, known as the Pershing bill, looking to a reduction in the officer personnel, was also then pending in the Senate, both of which bills were frequently alluded to in the discussion of the pay bill as promising large economies. Suffice it to say, an examination of these bills will disclose that their enactment and enforcement would have forcibly eliminated from the service on very scant pay a large number of the 1920 emergency officers—the commissioning of whom had served to elevate to permanent commissions in high grades a large number of the regular officers.

The gentleman from Connecticut [Mr. TILSON] and I were members of this joint committee of the two Houses,

and he is familiar with the legislative history to which your attention is being called.

Let me here disabuse the mind of the gentleman from Oregon of the thought that the national defense act of 1916, and as amended in 1920, was written by some distinguished Member in this or the other legislative body. The draft of those laws, very technical as you will find, was drawn by Army officers. The same is equally true of the adjusted pay bill of 1922, to which your attention will be briefly called later. These bills were drafted and approved by and had the hearty support of high Army officers, otherwise they never would have passed.

Now, by way of summarizing, note: Army officers strongly urged increase of officer personnel in 1920, using as an argument the possible rewards to deserving emergency officers that would follow. They also urged increase of pay for the enlisted personnel. After the passage of these bills they took in thousands of emergency officers, but in what grades, you ask, were they commissioned? Let the records answer—in the grades of captain, first and second lieutenants, and in these grades you will largely find them now, and as to many of these legislation has even been asked by the War Department to forcibly eliminate them.

Mr. McSWAIN. Will the gentleman yield?

Mr. OLIVER of Alabama. Yes.

Mr. McSWAIN. They put emergency captains 40 years old down under Regular Army second lieutenants.

Mr. OLIVER of Alabama. That is absolutely correct. The same unfair treatment was also shown in the adjusted pay bill toward emergency officers. Read a letter from Colonel Ely, of the Judge Advocate General's Office, appearing in the hearings on the pay bill, in which he discusses this matter very fully. Great care was taken, however, to provide for the pay of the Regulars, especially in the grades of majors, lieutenant colonels, and colonels, all of which grades were top-heavy because of the rapid promotions following the enactment of the 1920 act.

Talk about hardships, as did the gentleman from Illinois in reference to officers now in the grades of major, lieutenant colonel, and colonel, let me briefly state how liberal the pay bill was to these grades. Mr. McKenzie has been quoted, you will recall, as having referred to the rapid promotion of many of the young officers who reached in two or three years a grade which older officers had found it necessary to wait years for.

In the adjusted pay bill prepared by officers then in the service the first thing done was to increase the longevity pay from 40 to 50 per cent of the base pay and to strike out a limitation of $1,000 on the longevity pay of officers in the grades of major, lieutenant colonel, and colonel. In brief, the base and longevity pay of officers in the grades of colonel, lieutenant colonel, and major with 30 years' service by the adjusted pay act were increased from $5,000 to $6,000, $4,500 to $5,750, and $4,000 to $5,250, respectively. The effect of this was to increase the maximum retirement pay for a colonel, $750; for a lieutenant colonel, $937.50; and for a major, $937.50.

There were a large number of colonels and many lieutenant colonels and majors, because of the different types of service other than commission, which they were allowed to claim, while denying it to others, were immediately entitled to the maximum increases in pay and allowances under the terms of the adjusted pay bill of 1922.

This same bill which allowed the officers then in the service to claim all types of service, other than commission, to increased longevity pay, also provided that such service could be used to increase an officer's base pay by giving him the base pay of the next higher grade or of the next pay period.

To illustrate, three different base pays were provided for majors, ranging from $2,400 to $3,500, to which longevity increases of 50 per cent should be added, at the rate of one-tenth for every three years of service (all types of service counting for certain officer groups. For majors, eight different rates of allowances were also provided in addition to base and longevity pay, ranging from $219 to $2,097. Similar complications and variations will be found in the grades of lieutenant colonel and colonel.

Let me again emphasize that all types of service can be claimed under the 1922 adjusted pay bill, selfishly written for and in the interest of certain officer groups then in the service, but such rights and privileges, the act provides, die with such officer groups, and, after July 1, 1922, all officers commissioned in the service can only count for pay and longevity regular Federal commission service.

Attention has been called to the assurance given, in order to pass the adjusted pay bill, that it would take less money in the fiscal year 1923 out of the Federal Treasury than would be taken under existing pay schedules, plus the temporary bonus; and here is how, with that same lack of fairness for others, it was accomplished: The pay of the apprentice seaman in the Navy and of the enlisted man in the Army, for whom great solicitude was shown by officers in 1920, was cut from $33 and $30, respectively, per month to $21, and the pay of second lieutenants in the Army and corresponding grades in the other services were cut $200 each (few then in this grade, now a large number).

The money thus taken from the enlisted personnel, from second lieutenants, and officers without dependents supplied the pool to meet the increases in pay and allowances for the higher-ups, to which attention has been called.

There are many still in the House who joined me in opposing this adjusted pay bill, which was a mere temporary makeshift, full of unjust discriminations. Among those opposing it was the present Speaker of the House and the present chairman of the Appropriations Committee. Those who opposed the bill then stated that the Army and other allied services would themselves repudiate it in the near future; and if you will read the report of the Interdepartmental Pay Board, under date of July 19, 1929, you will find that this prediction has come true.

That part of such report should interest both the gentleman from Oregon, General MARTIN, and the gentleman from Illinois, Mr. CHIPERFIELD, who have expressed such keen interest and sympathy for deserving emergency officers, where it refers to "a large and heterogeneous World War hump of over 5,000 officers," and again "these World War officers constitute the outstanding abnormality in the promotion list." This board, in the suggested legislation which they submitted, following a like recommendation of Army officers in 1922, proposed to get rid of surplus officer personnel by forcible eliminations, thereby partially relieving the hump so as to accentuate the flow of promotions. They were anxious in 1920 to get the emergency officers in to receive rapid promotions for themselves, then to get them out in 1922 so as to give promise of economies and to increase the pay of those who remained in.

Under leave to extend, I will append copy of letter written by the joint committee of the House and Senate to the President, under date of June 30, 1930, emphasizing the importance of legislation to correct the inequalities with respect to promotion which then and still obtain.

In conclusion may I say that nothing has been suggested that will serve in a better, larger, and more effective way to partly correct and adjust the inequalities, the injustices, and unfair discriminations imposed on officers commissioned in the service after July 1, 1920, than what is proposed in the amendment offered by the gentleman from South Carolina [Mr. McSWAIN]. On Tuesday last the gentleman from Oregon, General MARTIN, in a very complimentary way referred to "the learned chairman of the Military Affairs Committee, Mr. McSWAIN" and expressed a willingness to follow his leadership in the drafting of legislation relative to this important matter. I now ask the gentleman from Oregon to read his language, appearing in Tuesday's RECORD, and by his vote on the pending amendment show his abiding confidence as he assured us he had in the leadership of the gentleman from South Carolina [Mr. McSWAIN]. [Applause.]

The McSwain amendment does what high officers in the Army will privately tell you is so imperatively required at this time, namely, it opens the door for promotion to efficient captains and lieutenants of the World War, gives

real hope to the young blood of the Army, and partially corrects the unjust discriminations imposed on emergency officers by the defense act of 1920 and by the pay act of 1922.

Who is there who will not say, "Help the Army; lend encouragement to the young blood of the service and to those worthy emergency officers who have been the victims of unjust discriminations"?

Mark this prophecy: If the McSwain amendment is adopted and the views of military experts so ably outlined in his opening statement on this bill by my friend the distinguished gentleman from Mississippi [Mr. COLLINS] are sympathetically studied and followed, this session of Congress will mark a new day in the advance of our Army along the lines of contentment and ever-increasing efficiency.

We have had some to rise in the House and in an ironical vein assume to jeer and scoff at the constructive thoughts respectfully and modestly submitted to the House for its study by the gentleman from Mississippi [Mr. COLLINS]. In that connection I have only this to say, that from the days when we have the most meager records of man's doings down to the present the scoffer has occupied side lines along the path of human progress. As some one has truly said, "The scoffer never travels with progress. He pays little homage to any creature save himself, and regards his opinions as being the decree of a court of last resort." [Applause.]

Mr. Chairman, under leave to extend my remarks, I am appending copy of letter directed by the joint committee to the President of the United States under date of June 30, 1930, from which the following is quoted:

We find as we study this report and various data that have come to us that the remedy, at least in part, for many of the ills complained of lies not in pay adjustment, but in promotion adjustment. We find that in the Army and Navy the large numbers of emergency officers permanently commissioned following the war are themselves not advancing as rapidly as would be desirable under a well-ordered scheme and that they are hindering the orderly advancement of officers subsequently commissioned. Under the longevity arrangement which now obtains some of them receive compensation in excess of that received by officers senior to them by from one to three and, in fact, four grades.

Obviously, therefore, the remedy in such circumstances certainly, in part, is promotion legislation, but the Interdepartmental Pay Board, designedly or not, proposes the expedient not only of allowing these existing high rates to continue, but actually of increasing them, thereby, in order to arrive at a graduated pay table without overlapping, permitting such rates to dictate its whole pay schedule with the result that the Interdepartmental Pay Board's proposal is widely out of harmony with any possible program that it would seem we would be justified in indorsing or that we might reasonably expect to be received favorably.

A promotion program that would correct the situation with respect to these emergency officers seems of paramount importance and must, in our judgment, precede pay adjustment. * * * By establishing a uniform pay schedule, parity is not accomplished if one man advances right through the several grades and another, commissioned at the same time and for reasons beyond his control, has his progress constantly impeded so that the age limit overtakes him somewhere along the line. Necessarily, there ensues a difference in career earnings, unless recompense be effected through the medium of longevity increases.

Such a course ignores the worth of a job and gives extra compensation in the absence of added duties and responsibilities. It is this principle of the present pay law that in large measure is responsible for the high rates recommended by the Interdepartmental Pay Board. It is unsound and tends to discourage those qualities inherent in men who are striving to forge ahead, since it removes or lessens the incentive for advancement in grade if attended by little or no additional compensation.

In view of the foregoing it is our firm conviction that adjustment of the inequalities which now obtain with respect to promotion should be the first step in pay adjustment and that pay revision should follow and be predicated upon a promotion scheme as nearly uniform as may be consistent and practicable. Pay relief, both as to form and measure, very largely depends upon the correction of those promotion problems which contribute to the urge for pay relief.

DAVID A. REED,
W. L. JONES,
TASKER L. ODDIE,
DUNCAN U. FLETCHER,
E. S. BROUSSARD,
Senate Members of the Joint Committee.
BURTON L. FRENCH,
JOHN G. COOPER,
HENRY E. BARBOUR,
W. B. OLIVER,
ROBERT CROSSER,
House of Representatives Members of the Joint Committee.

Mr. McSWAIN. Mr. Chairman, I offer a perfecting amendment which is at the Clerk's desk and which has been read for information.

The Clerk read as follows:

Amendment by Mr. McSWAIN: Beginning on line 11, page 11, strike out all that part beginning with the word "convene" after the word "shall" and ending with the word "shortage" on line 17, page 12, and insert the following in lieu thereof:

"First select the general officers to be removed from the active list of the Army, and from the general officers remaining on the active list the President shall convene a board of five general officers, who shall select the officers to be removed from the active list in consequence hereof, and the action of such selection board as to the officers to be removed from the active list shall be final: *Provided further*, That any officer may be retired upon his own application if same be filed prior to September 1, 1932: *Provided further*, That the selection by the board aforesaid of the officers to be removed from the active list shall be made solely on the basis of comparative ability, efficiency, and physical fitness, as disclosed by all now-existing efficiency reports and other pertinent official War Department records, and that no removals hereunder shall be made of officers permanently commissioned in the Air Corps or the Judge Advocate General's Department, and that any person who, by any means whatsoever, shall attempt to influence or interfere with the action of said selection board in its work of reduction with respect to the retirement of any officer of the Army, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be subject to a fine of not more than $1,000 or imprisonment for not more than one year, or both, at the discretion of the court."

The CHAIRMAN. The Chair will state that two amendments have been offered, one by the gentleman from California [Mr. BARBOUR] and one by the gentleman from South Carolina [Mr. McSWAIN]. The gentleman from California has presented an amendment which in part is perfecting and which in part strikes out a large portion of the paragraph. The gentleman from South Carolina has offered an amendment which is entirely a perfecting amendment. It seeks to perfect that part of the bill which the amendment offered by the gentleman from California proposes to strike out. In the opinion of the Chair, the amendment offered by the gentleman from South Carolina, being entirely a perfecting amendment, would take precedence over the amendment offered by the gentleman from California.

Mr. BARBOUR. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BARBOUR. As I understand the ruling of the Chair, we now vote on the McSwain amendment to the bill.

The CHAIRMAN. Yes.

Mr. BARBOUR. If that is adopted, then we will vote on the amendment to strike out most of the paragraph under consideration, which I have offered to the bill.

The CHAIRMAN. That is correct.

Mr. BARBOUR. That is, to strike out the paragraph and make certain changes in the amounts, not striking out the whole paragraph but a large part of it and making changes in the amounts which will result in putting the 2,000 officers back in the bill.

The CHAIRMAN. Yes.

Mr. COLLINS. Mr. Chairman, I wish to state that I accept the McSwain amendment.

Mr. TABER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. TABER. The McSwain amendment, as I understood its reading, does not affect the language of the bill with reference to the number of officers.

The CHAIRMAN. That is not a parliamentary inquiry, the Chair will state to the gentleman from New York.

Mr. LAGUARDIA. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LAGUARDIA. In order to have no misunderstanding, if the McSwain amendment is adopted, that amendment substituting language not now in the bill, would the amendment offered by the gentleman from California, which strikes out language which would be substituted by the amendment offered by the gentleman from South Carolina, be in order?

The CHAIRMAN. Under those circumstances, in the opinion of the Chair the amendment offered by the gentleman from California would be in order. The amendment

offered by the gentleman from South Carolina is a perfecting amendment and would not preclude the striking out of that part of the paragraph, if the committee so decides.

Mr. CHINDBLOM. Mr. Chairman, in order to make it clear, the entire language proposed to be stricken out by the gentleman from California is amended or perfected, as we sometimes say, by the amendment offered by the gentleman from South Carolina.

The CHAIRMAN. That is correct. The question is on the amendment offered by the gentleman from South Carolina.

The amendment was agreed to.

Mr. TABER. Mr. Chairman, I offer an amendment to the Barbour amendment.

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

The Clerk read as follows:

Amendment offered by Mr. TABER to the Barbour amendment: On page 8, line 19, strike out the figures "$31,833,477" and insert in lieu thereof the figures "$30,283,477."

In line 23, on page 8, strike out "$8,545,011" and insert in lieu thereof the figures "$8,495,000."

On page 9, in line 4, strike out the figures "$9,447,000" and insert in lieu thereof the figures "$10,300,000."

In line 14, page 9, strike out the figures "$6,224,000" and insert in lieu thereof the figures "$5,800,000."

In line 15, page 9, strike out the figures "$5,928,389" and insert in lieu thereof the figures "$5,728,000."

In line 22, on page 9, strike out the figures "$137,042,204" and insert in lieu thereof the figures "$135,671,204."

On page 10, line 1, strike out the figures "$136,242,204" and insert in lieu thereof the figures "$134,871,204."

In line 21, strike out "eight thousand nine hundred and thirty" and insert "ten thousand four hundred and thirty."

Page 10, line 24, strike out "seventeen" and insert "twenty."

Line 25, strike out "thirty-seven" and insert "forty-four."

Lines 25 and 26, strike out "three hundred and eighty-four" and insert "four hundred and six."

Page 10, line 26, and page 11, line 1, strike out "four hundred and seventy-three" and insert "four hundred and ninety-nine."

Page 11, lines 1 and 2, strike out "one thousand four hundred and eleven" and insert "one thousand four hundred and eighty-nine."

Line 3, strike out "two thousand eight hundred and twenty-two" and insert "two thousand nine hundred and seventy-nine."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York to the amendment offered by the gentleman from California.

The amendment to the amendment was rejected.

The CHAIRMAN. Without objection, the Clerk will again report the amendment offered by the gentleman from California [Mr. BARBOUR] for the information of the House.

The Clerk again reported the Barbour amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. BARBOUR].

The question was taken; and on a division (demanded by Mr. BARBOUR) there were—ayes 129, noes 130.

Mr. BARBOUR. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. COLLINS and Mr. BARBOUR.

The committee again divided; and the tellers reported that there were—ayes 135, noes 141.

So the amendment was rejected.

The Clerk read down to and including line 14, on page 13.

Mr. COLLINS. 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. LANHAM, Chairman of the Committee of the Whole House on the state of the Union, reported that the committee, having had under consideration the bill H. R. 11897, the War Department appropriation bill, had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to—

Mr. OVERTON, until May 30, on account of official business.

Mr. GOSS (at the request of Mr. TILSON), on account of illness.

Mr. GIBSON, for one week, on account of important business.

PUBLIC PRINTING AND BINDING

Mr. BYRNS. Mr. Speaker, I ask unanimous consent for the present consideration of the joint resolution (H. J. Res. 382) making an additional appropriation for printing and binding for Congress for the fiscal year 1932.

The SPEAKER. The Clerk will report the joint resolution.

The Clerk read as follows:

House Joint Resolution 382

Resolved, etc., That the sum of $500,000 is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for printing and binding for Congress, including the same objects and under the same conditions specified under the appropriation "Public printing and binding, Government Printing Office, 1932," contained in the legislative appropriation act for the fiscal year ending June 30, 1932.

Mr. BYRNS. Mr. Speaker, if I may say a word in explanation, the legislative appropriation bill which passed the House a few days ago carried an appropriation of $500,000, which was to be made immediately available. I hold in my hand a letter from the Public Printer in which he says that unless this $500,000, which was carried in that bill and has been approved by the House, is made available by May 16 there will be no money left with which to print bills and do the other printing for the Congress, including the printing of the CONGRESSIONAL RECORD.

This will not add one dollar to the appropriation, because if this resolution is passed the $500,000 will be taken out of the legislative bill. The resolution simply makes the money available now, and is necessary because it is evident the legislative bill can not pass the Senate for probably 10 days or 2 weeks.

Mr. STAFFORD. Will the gentleman yield?

Mr. BYRNS. Yes.

Mr. STAFFORD. I understand, then, that if this joint resolution passes both bodies the $500,000 item in the legislative bill will be eliminated?

Mr. BYRNS. Oh, yes, undoubtedly.

Mr. SCHAFER. Will the gentleman yield?

Mr. BYRNS. Yes.

Mr. SCHAFER. Have the economy doctors in the other body had a chance to operate on this appropriation and reduce it 10 per cent?

Mr. BYRNS. I do not think this is a proper subject for the "economy doctors."

Mr. SCHAFER. The distinguished economy doctor from the gentleman's own State has indicated that every appropriation should be reduced 10 per cent.

Mr. BYRNS. We will send the resolution over and let them doctor on it, if the gentleman is willing.

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

There was no objection.

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

PERMISSION TO FILE REPORT

Mr. LEWIS. Mr. Speaker, I ask unanimous consent to file at this time a supplemental concurrent report together with an illustration on the Patman bonus bill.

The SPEAKER. Is there objection?

There was no objection.

WHO IS FOR ECONOMY?

Mr. WILLIAMS of Missouri. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. WILLIAMS of Missouri. Mr. Speaker, most of the big newspapers of the country have used very intemperate language toward Congress, some of them calling the Members "imbeciles" and "traitors." Many of the men in this Congress have served here for years with some credit and distinction, and it does not seem likely that they have suddenly become as bad as they are described. By no stretch of the most partisan and distorted imagination can this Congress be charged with present conditions and with the fact that there is now a deficit in the United States Treas-

ury of $2,500,000,000, and that there was a deficit last year of about $1,000,000,000. When did it become imperative that the Budget must be balanced and that "uncertainty is disastrous," as stated by the President in his late message.

There is the Bureau of the Budget whose duty it is upon direction of the President to make a detailed study of the departments and establishments for the purpose of enabling the President to determine what changes, in the interest of efficiency and economy, should be made in the business methods, the coordinating of activities and the regrouping of services in the various departments, boards, and bureaus, as well as to determine what appropriations should be made. The result of such study by the Bureau of the Budget shall be reported to the President, who may transmit the same to Congress with his recommendations. There are many high-salaried clerks and experts in this bureau who may thoroughly and carefully study the problem of consolidation, reorganization, and elimination of boards and bureaus, and report to the President. This study has not been called for by the President and, of course, no such report or recommendation has been made by him to Congress. In view of the existence of this law for years and of the further fact that the President has not availed himself of its provisions, and again that boards and bureaus have increased in number and expense during his administration at an unprecedented rate—in view of this, one wonders just when he reached the conclusion that he should "reorganize and consolidate and eliminate unnecessary Government bureaus and establishments."

At the beginning of this Congress the President submitted his Budget, the estimated amount of money necessary to run this Government for the fiscal year beginning July 1, 1932. This Congress has already reduced the appropriations below the amount requested by the President in his Budget estimate by more than $160,000,000. His recommendation in December was that Congress should appropriate $160,000,000 more than has been appropriated, and now Congress gets a lecture on economy. The President now says that his estimate of the cost of Government and that the amount he recommended to Congress five months ago was $331,000,000 too high, and immediately the newspapers and some of the people are surprised and disgusted at the "imbecility" and "inefficiency" of Congress. Every effort made by Congress to cut the appropriations of the executive departments has been met by determined opposition from the heads of those departments who are the President's official household. Now because Congress has cut the appropriations much below the recommendation of the President, and done it over the protest of his official advisers, some of the newspapers and a few others throughout the country are utterly disgusted and extremely alarmed at the outrageous raids made upon the Treasury by Congress.

The recent economy measure which passed the House carried an estimated saving of $40,000,000, which, with the $160,000,000 cut in appropriations already made, makes a saving in governmental expenses of $200,000,000 for the year 1933, that being the expected saving upon the basis of which the last revenue measure passed the House.

It is a matter known to all that estimates of governmental expenses are presented to, and the revenues are provided by, the session of Congress preceding each fiscal year. The estimates for the fiscal year 1931 were presented by the President to the first session of the Seventy-first Congress, and that Congress, which had more than a hundred Republican majority, made the appropriations for the fiscal year 1931, which fell short about $1,000,000,000 and left the country with an unbalanced Budget in that amount at that time. We heard nothing about an unbalanced Budget then. The President again presented his estimate on Government expenses for 1932 to the second session of the same Congress. That same Congress made appropriations which will leave the United States Treasury at the end of this fiscal year, July 1, 1932, with a deficit of over two and one-half billion dollars. Everybody knew that a year ago, but nothing was said. If an unbalanced Budget alone meant "disaster," this country would have been sunk beyond recovery a long time ago. Do not misunderstand me. I am in favor of balancing the Budget as soon as it can be done by reduction of expenses and by just and fair taxation. It does seem that there is undue agitation about the Budget for next year in view of its condition for the past two years.

In the Sunday Star—Washington—May 8, there appears this interesting information. In a headline is this: "Bipartisan Program Mapped at Conference." In the body of the article it is shown who were present at the bipartisan conference. It reads as follows:

> Those who sat down with Mr. Hoover and Mr. Mills in the Lincoln study were Vice President CURTIS and Senators WATSON, of Indiana; SMOOT, of Utah; REED, of Pennsylvania; BINGHAM, of Connecticut; DICKINSON, of Iowa, along with Walter H. Newton, the presidential Secretary who deals with Capitol Hill.

This was truly a bipartisan gathering. The President; the Vice President; the Secretary of the Treasury; the Republican leader in the Senate, who said concerning the Smoot-Hawley tariff bill after its passage that it would bring prosperity and that the industrial skies would be bright in 60 days; SMOOT, the author of the present tariff law that has reduced our commerce to the vanishing point and driven American capital into foreign countries; REED, of Pennsylvania, who recently decried constitutional government and expressed the desire for dictatorship by declaring the country needed a Mussolini; BINGHAM, whose connection with the famous Grundy and the Manufacturers' Association was so intimate during the building of the Hawley-Smoot tariff wall as to give him much unfavorable publicity; and DICKINSON, of Iowa, the keynoter of the Hoover convention to be held in Chicago on June 14; Newton, the political Secretary to the President "who deals with Capitol Hill," which expression implies a rather broad field of activity. At least he is the same representative of the President who was on the floor of the House during the discussion of the economy measure recently passed, using his official and political influence against the bill. It will be noted that none of those great Republican Senators, NORRIS, BORAH, LA FOLLETTE, JOHNSON, or BLAINE, was called in, to say nothing about the Democrats who were not at this nonpartisan conference.

It is recorded that the meeting lasted an hour and a half; that political matters were not discussed, and that their endeavor would lead to bipartisan cooperation to secure the ends sought. That must have been a wonderful meeting, with never a word political. That is just the kind of crowd in which "mum" would be the word on politics. These high priests of special privilege in a great bipartisan conclave devising ways to increase the cost of stamps on first-class postage, put a tax on the smallest check, and impose a sales tax upon the consumers and laboring men of the country in an effort to balance the Budget which this same bunch, by reason of legislative inability and administrative inefficiency, have put two and one-half billions in the hole. That is the same crew that scuttled the ship, and now the country is surprised and astonished that the House of Representatives can not overnight put the ship on even keel. Where was this distinguished group of nonpartisans when board after board was created and the expenses were mounting higher and higher? Where were they when the huge deficits of 1931 and 1932 were accumulating? Bipartisan conference! Oh, ye gods!

Why not tell the truth about it. The administration is playing politics, trying to discredit the House of Representatives. Suddenly the alarm is sounded and the metropolitan newspapers and certain industries throughout the country take up the cry that this House of Representatives is about to ruin everything.

Early in this session I made some remarks on "Economy in Government," and I have tried to stand by that principle just as far as possible consistent with efficient Government service. The agencies and personnel of the Government can not be destroyed. There has been no question in my mind that the expenses can and should be reduced. That this Congress has already made such reduction to the extent of over $200,000,000 is no small accomplishment. It is known and recognized by everybody that over half of our Government expense is a fixed charge which can not be changed without absolute destruction of our credit.

The economy bill as passed was not what I hoped it might be. I voted at every stage of the proceedings to effect all the savings possible, and am ready to do so again. In many cases I was in the minority. I do not now seek to impugn the motives or impeach the character of anyone who did not vote as I did. Having served for two years on the great Committee on Naval Affairs, I am friendly to the idea of maintaining an adequate Navy, and I yield to no man in my desire to provide proper national defense; but it was my belief that a consolidation of the Army and Navy into one department would result in saving many millions of dollars, and for that reason I supported that proposition. All of my Democratic colleagues from Missouri did the same—M. A. ROMJUE, RALPH F. LOZIER, J. L. MILLIGAN, J. B. SHANNON, C. C. DICKINSON, R. D. JOHNSON, W. L. NELSON, CLARENCE CANNON, JOHN J. COCHRAN, JAMES F. FULBRIGHT, and WILLIAM E. BARTON. This was the big item of saving in the bill. The majority of the House thought best, I assume, in the interest of national defense, to keep the departments separate even at the expense of many millions of dollars.

For the past three months I have devoted most of my time to the study and to the hearings on the so-called home-loan bank measure, which has for its purpose the creation of the Federal Home Loan Bank Board, and 12 Federal banks with branch banks and with a great array of high-salaried officers, agents, and employees; an institution to place the Government squarely in the banking business in full partnership with certain financial agencies, the Government furnishing the capital. This measure provides for the expenditure of $125,000,000 by the Government, besides the appropriation of $500,000 as a preliminary administration fee. This measure was before a subcommittee of which I am a member. I am opposing the bill with all the energy and what ability I have, because there is not a dollar's worth of good in it for the home owners, in my opinion, and it sets up another nation-wide army of expensive officers and agents and another set of bank boards at the expense of the Government and the people. This measure has the unqualified support of this administration which is bringing all its influence to bear to secure its passage. It is against these powerful political and official influences that I am contending day and night. Yet we are told we should follow the President's program of economy. The above is one instance of his economy program and of his insistent desire not to eliminate or consolidate boards and bureaus, but to create others.

Why all this talk about economy and the elimination of boards in the face of this persistent determination on the part of the President to set up another costly banking system throughout the entire country. And this in addition to the fact that this Congress set up the Reconstruction Finance Corporation, which is designed to take care of all mortgage-loan institutions that are provided for in this proposed bank measure. Much solicitude for big financial institutions, but the man on the street seems to have been forgotten. The average annual cost of government under this administration with Mr. Hoover in charge is almost one-half billion more than it was under his predecessor and is an increase of over 636 per cent of the average annual cost from 1900 to 1917. Why not have the facts? Why not be fair?

It may have been a mere coincidence, but almost immediately after an outburst of a number of New York stock manipulators expressing a lack of confidence in Congress and amazement at its failure to balance the Budget and reduce expenses and restore confidence the recent blast came from the President; and then at once the chorus was taken up by certain interests throughout the country. The stock gamblers and manipulators, who are more responsible than any other class of people for destroying confidence and bringing this country to the brink of ruin, are a fine set to cast aspersion upon anybody, and it is to be regretted that the President has followed their lead.

EXTENSION OF REMARKS—FREEDOM OF THE PHILIPPINES

Mr. OSIAS. Mr. Speaker, the distinguished gentleman from New York, Mr. ROBERT L. BACON, recently wrote an article on the Philippines, published in some papers and since incorporated in the CONGRESSIONAL RECORD for May 9, 1932, pages 9871–9872. As one of the 47 who voted against the Philippine independence bill, H. R. 7233, recently passed in the House of Representatives by a vote of 306, the points developed by him in the article appear logical from his standpoint and his previous stand on this issue.

The gentleman from New York [Mr. BACON] starts with a complaint that the passage of the bill was effected after a limited time for debate, or, as he puts it, "under a drastic gag rule." Since several papers have also harped on this point, I wish to comment upon it.

I have been in Congress long enough to know that because of the large membership of the House of Representatives some rule limiting debate has to be observed or the parliamentary situation would be chaotic. In a very true sense every rule in the House is a gag rule. Unlike the United States Senate, the time allotted to a speaker is limited. No Member may speak continuously for an unlimited period on the floor of the House on a given subject or measure. I repeat, for the sake of emphasis, that all rules under which the House of Representatives operates are gag rules, differing only in degree or extent, and this is true whether the majority be Republican or Democratic.

In the Seventy-first Congress when the tariff bill, probably the most important measure considered, came under a gag rule precluding the submission of amendments. It was a rule sponsored by the party of which the gentleman [Mr. BACON] is a member. During this Congress, one of the most important bills (H. R. 11499) "A bill to restore and maintain the purchasing power of the dollar" was approved under a suspension of rules. This was done while the majority in the House is of a political complexion different from that of the gentleman's party. More recently still, the bill appropriating millions of the people's money for the widows and orphans of World War veterans was likewise approved under exactly the same conditions as H. R. 7233. In the discussion of these three measures, the RECORD fails to disclose opposition of the gentleman from New York to what he terms a "gag rule."

There is less valid reason for the gentleman from New York [Mr. BACON] to complain of the rule in the case of the Philippine bill than there is in the case of the three other important bills referred to and others which I could mention. The Speaker of the House of Representatives on Friday, April 1, 1932, announced that the Philippine bill was to come up the following Monday, April 4. On the day designated, the gentleman from South Carolina [Mr. HARE], chairman of the Committee on Insular Affairs, asked unanimous consent for the consideration of H. R. 7233, known as the Philippine independence bill, with two hours of general debate—

> one-half to be controlled by the ranking member of the minority opposed to the bill, and that for the purpose of amendment in the Committee of the Whole the substitute committee amendment may be considered by the Committee of the Whole as an original bill.

Who objected to this procedure? It was the gentleman from New York [Mr. BACON]. The record bears me out in this statement, as may be seen in the CONGRESSIONAL RECORD for April 4, 1932, page 7393.

The gentleman from South Carolina then asked consent that the bill be given a privileged status to be considered under the rules of the House. Who raised the objection? It was again the same gentleman from New York [Mr. BACON]. The following excerpts from the RECORD bear out this statement:

> Mr. HARE. Mr. Speaker, I ask unanimous consent that this bill may be given a privileged status, to be considered under the rules of the House of Representatives.
>
> The SPEAKER. The gentleman from South Carolina asks unanimous consent that this bill be given a privileged status, to be considered under the rules of the House of Representatives. Is there objection?
>
> Mr. BACON. Mr. Speaker, I object.
>
> Mr. HARE. Will the gentleman reserve his objection?
>
> Mr. BACON. I will reserve my objection.
>
> Mr. HARE. Mr. Speaker, I understood that the gentleman from New York only reserved the right to object to the original request.

I would like to say to the gentleman that we are very anxious to give all the time possible to the discussion of this bill, but I might say that under a rule, to be obtained for the purpose of considering this bill, it would be impossible for us to get over two hours of general debate and then consider it under the 5-minute rule, where it would be subject to amendment.

Mr. BACON. I will say to the gentleman that there are many Members not present to-day who are very much interested in this matter.

Mr. HARE. The only thing to be gained by objecting to the bill to-day would be to delay it, because we could not expect to get more time under a rule than is contained in the request made at this time.

Mr. BACON. It would at least give a number of Members who are not present to-day an opportunity to be here. It would also give a great many Members interested in this subject a chance to examine and study the bill and read the hearings.

Mr. HARE. I might say to the gentleman that these hearings have been printed for three weeks; the report has been filed for upward of two weeks, and notice was given on last Friday that we would make this request to-day.

Mr. BACON. The gentleman well knows we have been very busy on tax matters for the past three weeks.

Mr. LAGUARDIA. I want to point out to my colleague from New York that this Philippine question has been pending before Congress ever since I have been here, during the last 14 years. The committee has held hearings, the hearings have been printed. (CONGRESSIONAL RECORD, p. 7393.)

Commenting upon this attitude another distinguished gentleman from New York, Mr. LAGUARDIA, addressing his colleague, had this to say:

* * * I can not reconcile the gentleman's position of suggesting that this is "gag" and in the same breath recommending a rule. I hope my colleague will permit the House to resolve itself into the Committee of the Whole House on the state of the Union. We can discuss it there, and, finally, make good a solemn promise that is in the platform of both parties. (CONGRESSIONAL RECORD, p. 7393.)

The gentleman from Texas [Mr. BLANTON] likewise said on that occasion:

Mr. Speaker, I want to call the attention of the gentleman from New York [Mr. BACON] to the fact that in yesterday's paper there was an interview from him of Saturday, showing that he knew as early as Saturday about this matter coming up to-day, and showing what he intended to do about it this morning; and if the Speaker were to recognize the gentleman from South Carolina to move to suspend the rules, the gentleman would have but 20 minutes' debate on the side, whereas now, by agreeing to the unanimous-consent request, the gentleman has the advantage of having two hours' debate, giving one hour on the side. (CONGRESSIONAL RECORD, p. 7393.)

The Speaker himself said:

* * * If this request were granted, then the Consent Calendar would be called for two and a half or three hours, when the Chair would recognize the gentleman to move to go into Committee of the Whole House on the state of the Union to consider the bill under the general rules of the House of Representatives. It is then within the power of the House to limit debate or extend it to 12 hours, or 14 hours, or limit it to 2 hours or 1 hour. In case objection is made, it is the intention of the Chair to recognize the gentleman from South Carolina not later than 2.30 or 3 o'clock this afternoon to move to suspend the rules and pass the bill.

The Chair has undertaken to give the House a full opportunity to consider this bill under the rules of the House of Representatives, and if it declines to give this consent, the Chair is going to recognize the gentleman to see whether the membership of the House wants to pass this bill to-day under suspension of the rules or not. (CONGRESSIONAL RECORD, p. 7394.)

No one thus is more responsible for the parliamentary situation under which the Philippine independence bill was taken up than the gentleman from New York [Mr. BACON].

I have gone into this point at some length in order that it may not be used as a smoke screen for the purpose of minimizing the importance of the favorable action of the House on the Philippine independence bill by a vote of 306 to 47, a majority seldom recorded in the annals of legislation.

The descriptive portion of the article and the factual statements based upon statistics need not be commented upon. I wish to record my appreciation for the recital of progress made in the article which, in my judgment, really argues in favor of the grant of independence by the United States rather than against it.

The arguments put forth by the gentleman from New York against the House action are by no means new. He and others who think like him have made the most of them in the past to forestall action. He is, of course, entitled to think that the vote of his colleagues on the Philippine independence bill was folly. I prefer to attach more wisdom to the combined judgment of 306 Members representing both the Republican and Democratic Parties.

It is apparent that the gentleman from New York [Mr. BACON] and I continue to hold divergent views on this question. I respect his views and I have no fault to find with his conclusions, commencing as he does with a hypothesis which I believe erroneous. Notwithstanding this view of mine regarding his stand, I must, in all sincerity, express my appreciation for his objection in the House, because I think he had unwittingly helped hasten action by his opposition. After all, what is needed at this juncture is action and not interminable discussion.

I am of the opinion that the enactment of the Philippine independence bill (H. R. 7233) would mean:

First. The redemption of America's plighted word;

Second. The satisfaction of an age-long aspiration of the Filipinos;

Third. A new renaissance in Philippine life;

Fourth. New faith in America on the part of the peoples of the Far East;

Fifth. An adjustment of American-Filipino relations upon a more lasting basis; and

Sixth. A definite triumph of peace in international and interracial dealings.

I close reiterating my recognition of the sincerity of views of the gentleman from New York [Mr. BACON] and my appreciation of his frankness in expressing them. He has long showed interest in the Philippines. He was once a member of the Committee on Insular Affairs and has paid my country the honor of a visit. He is very well known in the Philippines, for in the Sixty-ninth Congress, first session, he presented H. R. 12772 entitled "A bill to create within the Philippine Archipelago a jurisdiction to be known as the Moro Province, and to provide a government therefor." That bill was given wide publicity in the Islands and careful consideration on the part of the members of the legislature. The bill was distinctive in that opposition was universal and unanimous on the part of the Filipinos.

Then as now he erred (1) in assuming that there is an irreconcilable division between the Filipinos of Luzon and Visayas and the Filipinos of the southland, (2) in unduly giving importance to the Philippines as a property and as a dumping ground for surplus products, and as a source of supply of products, and (3) in not giving adequate recognition to the promise of America and to the universal demand of the Filipinos for their freedom and independence.

I was a member of the Philippine Senate when the gentleman from New York [Mr. BACON] submitted his bill, H. R. 12772, on June 11, 1926, designed to effect the dismemberment of Philippine territory, and I discussed its provisions. To demonstrate how diametrically opposed our views are on this issue, I hereto append the address I delivered on the floor of the Philippine Senate on that occasion.

The address discussing the so-called Bacon bill (H. R. 12772) follows:

Mr. President, I rise this afternoon to analyze briefly the main provisions of a bill presented before the Congress of the United States entitled "A bill to create within the Philippine Archipelago a jurisdiction to be known as the Moro Province and to provide a government therefor," and to register a protest against a bill which, if enacted, would be highly inimical to the social, educational, political, and economic well-being of the people of the Philippine Islands.

I shall start by saying that this measure, commonly known as the Bacon bill, is based upon an erroneous assumption of the existence of a division and enmity between the Filipinos inhabiting Luzon and the Visayas group and the Filipinos of the Southland.

It has been the fashionable practice on the part of those who wish the Philippines retained or those who want to further their imperialistic designs ever and always to harp upon a supposed irreconcilability of elements constituting the Philippine population. I say that this is an erroneous assumption, not only basing my assertion upon what we, the Filipinos know, but basing my contention upon authorized testimonies of American scientists and writers.

Dr. Merton I. Miller, when he was chief ethnologist of the Bureau of Science, testified to the common ancestry of the Filipino people, coming as they are from a common Malayan stock, and clearly pointing out that there exists no difference between the average Ifugao or Bontoc, or the Moro, or the Tagalog, or the Ilocano, or the Bisaya, or the Pampango. Doctor Miller said:

"Dress an average Bontoc or Ifugao man in the clothes worn by the Tagalog, cut his hair as the Tagalog cuts his, and not one man in a thousand could pick out the Bontoc or Ifugao men from a company of Tagalogs. With few exceptions this statement might be made about any of the people of the Philippines. We recognize a Moro by his peculiar clothes and his close cut of hair. We distinguish an Ifugao by his unique way of cutting the hair and certain characteristic features of his dress. But no man can distinguish the average Iloco from the Pampangan, the Pangasinan from the Bicol, or the Tagalog from the Bisaya. From the extreme northern end of the archipelago to its southernmost limits, with the exception of the few scattered Negritos, the people of the Philippines, pagan, Moro, and Christian, are one racially. There is some reason for believing that they migrated into the islands at two different times. But in all probability they came from the same general region and have a common ancestry."

The underlying homogeneity of the Filipino people also has been recognized by various American writers. I wish to be permitted to read an excerpt from the work of Le Roy, who says: "That the native stock of the Philippine Islands is Malayan is one of those things that have been recognized 'always, everywhere, and by all.' But in the writings, especially of recent years, so many fantastic strains of blood have been introduced into the Archipelago, and so many purely hypothetical and often unreasonable conjectures as to diversity of tribal origin have been evolved in the treatises of library workers, or whilom globe-trotters, that the underlying homogeneity of the inhabitants of the Archipelago has often been obscured." And he closes his testimony by saying that the "racial stock of the Philippines is quite homogeneous."

Dr. David P. Barrows himself, who was chief of the Philippine Ethnological Survey and a director of education, was convinced, to use his own words, "of the essential unity of the Filipino people."

I therefore maintain, Mr. President, that this measure is based upon an erroneous assumption of a supposed difference between Filipinos of the Visayan and Luzon groups and the Filipinos of the south, because it seeks to create a separate government for what the author is pleased to term the "Moro Province."

This measure, Mr. President, is obnoxious especially from the American point of view. It violates one of the cardinal tenets upon which American democracy rests. The American Government is based upon the theory of the separation of powers. This bill, Mr. President, is based upon a concentration of powers. I prove this statement by calling attention to sections 201, 204, and 301 of this measure.

Señor QUEZON. Mr. President.

The PRESIDENT. The gentleman from the fifth district.

Señor QUEZON. Will the gentleman yield?

Señor OSIAS. Gladly.

Señor QUEZON. Is it the whole territory of Mindanao that is included in that Bacon bill, or only the part inhabited by the Mohammedans?

Señor OSIAS. I am glad the gentleman from the fifth district [Señor Quezon] asks me that question, because I failed to say that this measure seeks to create a separate government for the entire island of Mindanao, except Misamis, the island of Basilan, the Sulu Archipelago, including the islands known as the Jolo and Tawi-Tawi groups, the island of Palawan, the contiguous islets between Palawan and the Balabac Strait on the south, together with adjacent islets.

Señor QUEZON. Mr. President.

The PRESIDENT. The gentleman from the fifth district.

Señor QUEZON. Will the gentleman yield?

Señor OSIAS. I yield, Mr. President.

Señor QUEZON. I should like to know if that means that the Province of Surigao, which is a province in Mindanao, is included within the territory for which this government is to be established.

Señor OSIAS. According to Title I, section 1, Mr. President, the only province excepted is Misamis. It is, therefore, reasonable to assume that Surigao would be included, inasmuch as it specifically states that a government is to be created for the entire Island of Mindanao, save Misamis alone.

Señor QUEZON. Another question. Would the gentleman care to inform the senate as to the number of Mohammedan Filipinos in the territory in question, as compared with the Christian Filipinos in the same region?

Señor OSIAS. I have in my possession, Mr. President, the data on the Christian and non-Christian population of the chief provinces or places affected on the basis of the figures of the 1918 census. Here they are: Agusan, 38,323 Christians and 6,035 non-Christians; Bukidnon, 25,299 Christians and 22,512 non-Christians; Cotabato, 21,391 Christians and 147,800 non-Christians; Davao, 68,979 Christians and 50,325 non-Christians; Lanao, 12,230 Christians and 82,716 non-Christians; Sulu, 28,072 Christians and 139,903 non-Christians; Surigao, 119,357 Christians and 2,665 non-Christians; Palawan, 53,444 Christians and 15,617 non-Christians; Zamboanga, 77,001 Christians and 70,990 non-Christians.

Therefore, the total number of Christians is 446,096 and the total number of non-Christians is 538,563. Considering the fact that not all of the non-Christians are Mohammedans the number of Christian Filipinos is probably greater than the number of Mohammedan Filipinos in the same territory to be converted into a "Moro Province."

As I was saying, Mr. President, this is a thoroughly un-American proposition, because from section 201 we find that the officials of the executive department shall consist of a governor, a secretary, an attorney, a treasurer, a director of education, and an engineer, who, together with the auditor, shall constitute the executive departments of the government created for the so-called Moro Province. These members of the executive department are appointed by the President of the United States with the advice and consent of the Senate of the United States.

Now, I wish to call attention to the fact, having mentioned the officials that shall constitute the executive government, that the following functionaries, according to section 301 of this measure, shall constitute the legislative council: The governor, the secretary, the treasurer, the director of education, the engineer, and the attorney, each of whom has a right to vote in the legislative council. In addition to these six, it is provided that the President may also, in his discretion, appoint, with the advice and consent of the Senate of the United States, not to exceed three additional members to such council with a right to vote or not, who may be citizens of the Philippines. We, thus, see that the people who constitute the executive department are the very same people who control the legislative council. Besides, Mr. President, in section 204 it is provided that the attorney for this Government created in the Moro Province shall have charge of the administration of justice. Here we have a concrete case. The attorney, having charge of the administration of justice, is one of the members of the executive department and is at the same time one of the important members of the legislative council.

It is alleged, Mr. President, that this measure was prompted by a desire to do greater justice to our brethren in the south, who, it is alleged, are denied participation in our existing government. The author in his explanatory note considers the representation of the southland in the Philippine Legislature as "a farce and mockery"; that they are "deliberately denied a share or participation in the government."

It should be borne in mind, Mr. President, that this is inaccurate on the very surface, because there is an elective representative, not only from Surigao but also from Palawan, territories which will have to be included within the jurisdiction of the government for the Moro Provinces. These Provinces besides have direct participation in the election of senators. In addition to that the rest of the territory to be included in this government has appointive senators and representatives, and if it is true, as alleged by the Congressman from New York, that their representation here in our Government is a farce and mockery, let it be made clear that this is not of our own making. It is in obedience to congressional enactment, and, therefore, the blame, if there be any, can not be laid at the doors of the Filipinos, but rather at the door of Congress, which enacted the measure which provided for the participation of the people in the south, which now is characterized as "a farce and mockery."

The Moros, for whom the author seems to show solicitous regard, are not really given participation in the government created, in accordance with this measure. There is nothing said in Title 2 of the appointment of a Mohammedan Filipino or a Christian Filipino in the executive branch of the government. In the administration of justice, no provision is made clearly specifying the appointment of the natives of that region, to have direction in this part or branch of the government and in the legislative council.

The most that can be done would be to have three who may be citizens of the Philippine Islands. They need not necessarily be Mohammedan Filipinos; any citizen of the Philippines can be appointed in the discretion of the President of the United States.

Besides, the President may appoint not more than three. Therefore, it is clear that he does not have to appoint three. He may appoint one, he may appoint two, he may not appoint any at all, but even if he would appoint three, they will still constitute a very small minority, since six members appointed by the President of the United States must be the controlling element in the entire government, because they have not only a share in the legislative work but they have the control of the executive work and the judicial work. The alleged Moro participation, therefore, is nil.

The author himself, in his explanatory note, gives himself away. He says among other things speaking of the people of that territory "that the administration of their affairs should be restored to a sane, humane, and forward-looking American administration." The intention of the author is very plain.

It is also clear, Mr. President, that in the appointment of officials in the executive branch of the Government of the selection of those, by the very provisions of section 201, would be highly discriminatory to the nationals, even to the Moros themselves, because it is provided that these members to constitute the executive department shall be citizens of the United States.

This measure also, Mr. President, from the standpoint of education, makes for poor administration. It does not make for forward-looking administration. Besides disregarding the Secretary of Public Instruction, it is provided that the Director of Education shall exercise general supervision over the entire school system of the Moro Province and, besides, he is required to present quarterly to the legislative council a requisition for the funds necessary for the maintenance of the schools of the Province.

In other words, you have an administration of education wherein every quarter the director of education is compelled to make his requisition, which will be far worse than the present administra-

tion, whereby the director of education for the entire archipelago now is only required to submit his request for a budget once for one entire year.

I will not dwell long on this phase of it because there is a more objectionable part. It is clear that this measure was prompted by a wrong assumption of a division of enmity which is more or less of a fetish; that this measure is violative of the fundamental principles upon which the American Government rests; that it concentrates powers; and that it does not make for good administration, both political and educational. But the worst feature, Mr. President, has not been mentioned. It not only nullifies powers already exercised by the Philippine Legislature but if this law is approved it would take away jurisdiction heretofore conferred upon the Supreme Court of the Philippine Islands in cases arising in those places.

Section 402 seems clear. After section 401 providing for local courts in that Territory, it is provided that "review by the Supreme Court of the United States of final decisions of the court of last resort in the Province shall be governed as to right of review and procedure by the law applicable to the review of final decisions of the Supreme Court of the Philippine Government." Thus, it appears clear that this measure would render nugatory powers exercised by the supreme court, a supreme court the majority of whose members even now are Americans themselves.

The worst feature remains now for me to mention. The Filipino people have made know their opposition to all radical attempts at changing our existing land laws. The opposition was made clear on the part of the leaders of the Filipino participation in the government, members of the legislature, and the people at large when a proposition was made to the effect that as much as 200,000 hectares of land may be leased for 75 years for purposes of rubber cultivation.

If the Filipino people had objected and had registered their protest against those propositions, Mr. President, they have greater reason to protest against the provisions of this measure because it is expressly provided in section 501, subsection C, that the disposition of public lands will be practically in the hands of the legislative council without limit, for this provision declares as property of the United States all the property and rights within the Province acquired by the United States under cession from Spain, with certain minor exceptions.

We already are tied as legislators in enacting measures affecting our economic salvation. I say we are limited, because the Jones law, or our organic act, does not confer upon the Philippine Legislature the power of action in matters affecting our public lands, our mines, and our forests; and yet here we have in section 501 further curtailing the already limited powers in that respect by the Philippine Legislature by lodging in the hands of the proposed legislative council the practically absolute disposition of the public domain.

For the sake of clearness I would like to read the entire subsection C of section 501: "All the property and rights within the province acquired by the United States under cession from Spain, except such lands or other property as has been or shall be designated by the President for any public use of the United States, and except such as may have heretofore been sold or disposed of under acts of Congress or of the Philippine government, are hereby expressly declared to be and are hereby reserved as the property of the United States, and are placed under the control of the government of the province to be administered and disposed of by it; and all revenues derived from the sale, lease, or other disposition of such property and rights shall accrue to the said province for its use and benefit."

Mr. President, the author makes clear his purpose. Our first impression that this is an ingenious step to bring about the dismemberment of Philippine territory is now confirmed by a more careful perusal of the provisions of this measure. It is not surprising that an American Congressman himself, after becoming familiar with the provisions of this measure, was moved to remark that the Bacon bill is a measure "diabolical and outrageous, wholly unworthy of the United States."

Representative SCHAFER further adds a sentence which must move the heart of every Filipino. It reads: "It hurts my pride as an American citizen to admit, but it is a fact, that not only have we failed to keep our pledged word to the Filipino people, but there is an organized conspiracy being promoted by the great financial interests of the United States to confiscate their vast public lands and with it what little local self-government they have remaining in their hands after the ruthless 5-year administration of Governor General Wood." The charge is, perhaps, more than Filipinos had so far publicly stated, but we are informed by a respected Member of Congress of the existence of "an organized conspiracy being promoted by the great financial interests of the United States to confiscate our vast public lands" and to nullify or at least minimize the autonomous powers that have already been conferred.

The author of the bill, Mr. President, in his explanatory note defending his measure closed with the following words: "All who have given this matter careful thought agree that there is no doubt but that an independent government for the Moro Province would be entirely self-supporting." We are happy to read this admission. It should be borne in mind that that part of Philippine territory of the south is the least developed, economically speaking, of any part of the Philippine Archipelago. Now, if the author maintains that such a government to be established having jurisdiction over that southern territory can be entirely self-supporting, we can also claim with greater reason and perhaps better logic that the Philippine government, if made independent, would be entirely self-supporting, certainly more self-supporting than the Moro provincial government, which this measure seeks to establish.

I wish, in passing, to call attention to this testimony of Gouverneur Morris, one of America's foremost statesmen, who said: "At the time our Government was organized we were without funds, though not without resources." But the Philippine government, if made independent, would start with funds and with unlimited resources.

Señor QUEZON. Mr. President——

The PRESIDENT. The gentleman from the fifth district.

Señor QUEZON. Will the gentleman yield for a question?

The PRESIDENT. Will the gentleman from the second district yield for a question?

Señor OSIAS. With pleasure, Mr. President.

Señor QUEZON. How is this government going to be supported?

Señor OSIAS. One of the provisions is that found in section 501, subsection (c), whereby it is provided that "all revenues derived from the sale, lease, or other disposition of such property and rights shall accrue to the said Province for its use and benefit." In another section it is provided that part of the internal-revenue taxes collected, according to the explanatory note of the author of the bill, Mr. President, should be allocated to the treasury of the Moro Province. He said: "It is further suggested that a just proportion of the internal-revenue taxes collected in the United States on Philippine products and now returned by the United States to the insular treasury should be allocated to the treasury of the Moro Province." We have thus two sources which I have already mentioned. Besides, the legislative council is empowered to levy such taxes as are ordinarily levied by governments of a similar nature.

In conclusion, Mr. President, we ought to recall the historic fact that in 1920, or half a dozen years ago, an American President certified the fact that the Filipino people have already complied with the essential conditions precedent upon the granting of freedom and independence to the Philippine Islands. The message of President Wilson to the Congress of the United States in 1920 is meaningful and specific. He said: "Allow me to call attention to the fact that the Filipino people have succeeded in maintaining a stable government since the last act of Congress in their behalf and have thus fulfilled the conditions set by the Government as precedent to the granting of independence to the islands. I respectfully submit that this condition precedent having been fulfilled, it is now our liberty and our duty to keep our promise to the people of those islands by granting them the independence which they so honorably covet."

This recommendation was made in 1920. Not only has it not been fulfilled, not only have we failed to make a decisive forward step in our emancipatory struggles, but there are proofs aplenty to show that autonomous powers have been curtailed and that backward steps may be taken in the administration of affairs in the Philippine Islands, recommendation or promises of President Harding to the contrary notwithstanding.

The PRESIDENT. Will the gentleman from the Second District yield to the gentleman from the Fifth District?

Señor OSIAS. Most willingly, Mr. President.

Señor QUEZON. I should like to know if the Senator [Señor OSIAS] will agree with me when I say that we are spending every year for that part of the Philippines more than the income of the insular government from that region.

Señor OSIAS. It is true, Mr. President; and I should like to add that, in spite of the testimonies and statements of prophets of failure, like Worcester and others of his kind, saying that if the Filipinos had control over our non-Christian brethren they would be made to suffer and that they would be entirely neglected, it was at the time when we enjoyed greater autonomous powers that our non-Christian brethren enjoyed the best treatment from the government of the Philippine Islands.

Señor QUEZON. I should also like to ask, Mr. President, if the gentleman will not agree with me when I say that the Christian Filipinos inhabiting the whole island of Mindanao exceed in number the Mohammedan Filipinos in that island?

Señor OSIAS. The gentleman is correct, especially with the addition of Palawan and other parts which are now inhabited by Christian Filipinos.

I would like to ask the indulgence of this body, Mr. President, by requesting to be placed on record the policy followed by the Philippine government in the work with our non-Christian brethren, which is embodied in the law creating a bureau especially to look after the interests of our non-Christian population, because this law not only defines the purpose of the bureau from the standpoint of the Filipino people, but also the meaning of the policy of the attraction and unification. The law says: "It shall be the duty of the Bureau of Non-Christians to continue the work for advancement and liberty in favor of the region inhabited by non-Christian Filipinos, and foster by all adequate means and in a systematic, rapid, and complete manner, the moral, material, economic, social, and political development of those regions, always having in view the aim of rendering permanent the mutual intelligence between and keep complete fusion of the Christian and non-Christian elements populating the provinces of the archipelago."

The approval of a measure, like the subject of our discussion, would be a direct reversal of this policy; it would promote division, and would weaken the union of the Filipino population. (Diario de Sessiones, vol. 1, No. 30, pp. 320–324.)

EXTENSION OF REMARKS—SYSTEM OF DISTRIBUTION OF FUNDS BY THE FEDERAL GOVERNMENT AND BY THE STATE OF CONNECTICUT

Mr. LONERGAN. Mr. Speaker, it has been frequently stated in Congress that a dozen or more States pay into the Federal Treasury enormous sums which in turn are spent in States whose contribution to the National Treasury is negligible. While this is true, the spokesmen overlook a fundamental principle of taxation. That is, that wealth is taxed where wealth is found. The situation, demonstrable as it may be by analysis of Treasury reports, has its analogy within the State governments where the same condition obtains.

The cities wherein are located the great financial and industrial institutions contribute lavishly to the coffers of the State while the smaller suburban and rural communities pay by comparison but a pittance, illustrating that wealth is taxed where wealth is found. In the United States we have a federation of States. In Connecticut we have a federation of towns.

In the following excerpts from the reports of the State of Connecticut are included items of tax by which the relation of payments and receipts of the individual cities and towns can be reflected. There are certain other transactions between the local and State governments but the return to the town in each instance is proportioned to the amount paid to the State; in other words, they cancel each other and do not alter the standing of the communities as fixed by State and military tax payments and the return for highways and educational grants.

These transactions, from which are derived a large portion of the State funds, include the tax of shares of stock of banks, trust and insurance companies on estates, and licenses.

The $8,259,441.45, more or less, received by Connecticut for automobile andd rivers' licenses, which in turn is spent on the highways of the State, is not classified as to towns and cities.

The civil list account of the State, which in 1931 amounted to $40,931,681.24, includes such major items as: $4,320,418.44 gasoline tax, $2,110,717.49 highway-department receipts, $4,827,397.37 inheritance tax; $1,033,990.64 insurance-commissioner receipts, $659,366.72 tax on mutual life-insurance companies, $3,534,787.44 net income tax from corporations, $3,933,319.76 tax on public-service corporations, $1,758,361.87 tax on savings deposits, $1,061,404.57 State agencies and institutions, $602,607.35 State board of education, $1,962,416 franchise tax on stock-insurance companies, $606,206 nonresident stock tax.

Military and State tax paid by cities and towns

Andover	$254.35
Ansonia	14,248.06
Ashford	357.24
Avon	1,241.49
Barkhamsted	384.94
Beacon Falls	1,006.69
Berlin	4,018.71
Bethany	452.08
Bethel	2,395.94
Bethlehem	303.91
Bloomfield	3,091.70
Bolton	303.19
Bozrah	342.64
Branford	5,923.71
Bridgeport	187,531.32
Bridgewater	282.31
Bristol	30,045.47
Brookfield	352.92
Brooklyn	960.85
Burlington	599.30
Canaan	507.55
Canterbury	358.25
Canton	1,542.61
Chaplin	211.96
Chester	1,126.82
Clinton	1,304.32
Colchester	1,060.24
Colbrook	455.80
Columbia	283.80
Cornwall	634.29
Coventry	852.61
Cromwell	1,583.75
Danbury	22,608.60
Darien	8,512.65
Derby	7,582.21
Durham	645.98
Eastford	$284.91
East Granby	852.48
East Haddam	1,821.61
East Hampton	1,810.39
East Hartford	13,507.30
East Haven	5,270.60
East Lyme	2,094.35
Easton	762.33
East Windsor	2,565.23
Ellington	1,305.74
Enfield	10,279.44
Essex	2,039.20
Fairfield	15,231.71
Farmington	4,251.29
Franklin	251.25
Glastonbury	4,820.54
Goshen	512.44
Granby	843.67
Greenwich	54,743.08
Griswold	2,775.84
Groton	8,105.87
Guilford	2,394.69
Haddam	895.14
Hamden	19,371.91
Hampton	275.09
Hartford	230,344.15
Hartland	221.70
Harwinton	565.35
Hebron	484.39
Kent	822.98
Killingly	5,245.83
Killingworth	270.83
Lebanon	947.02
Ledyard	435.33
Lisbon	412.04
Litchfield	4,334.89
Lyme	411.96
Madison	2,982.06
Manchester	24,176.08
Mansfield	922.01
Marlborough	158.43
Meriden	31,618.14
Middlebury	936.00
Middlefield	677.78
Middletown	20,856.25
Milford	14,968.51
Monroe	740.59
Montville	9,878.09
Morris	417.48
Naugatuck	11,858.65
New Britain	73,612.90
New Canaan	6,120.62
New Fairfield	374.88
New Hartford	1,315.18
New Haven	189,270.52
Newington	3,002.79
New London	33,674.49
New Milford	3,443.42
Newtown	2,105.93
Norfolk	1,582.23
North Branford	845.01
North Canaan	1,264.89
North Haven	2,659.89
North Stonington	480.95
Norwalk	29,846.13
Norwich	26,543.20
Old Lyme	1,302.46
Old Saybrook	1,931.12
Orange	992.25
Oxford	638.70
Plainfield	3,620.35
Plainville	4,421.16
Plymouth	3,869.64
Pomfret	1,122.99
Portland	2,663.80
Preston	571.77
Prospect	341.44
Putnam	4,868.55
Redding	1,165.90
Ridgefield	3,293.42
Rocky Hill	1,433.25
Roxbury	338.20
Salem	232.09
Salisbury	1,903.04
Saybrook	1,810.29
Scotland	200.51
Seymour	4,486.37
Sharon	1,629.77
Shelton	7,356.06
Sherman	276.42
Simsbury	3,026.18
Somers	1,094.09
Southbury	768.74
Southington	7,125.14
South Windsor	2,607.58
Sprague	1,589.57
Stafford	4,374.91
Stamford	79,871.05

Sterling	$610.28
Stonington	7,331.73
Stratford	15,979.75
Suffield	4,292.03
Thomaston	3,232.99
Thompson	1,798.27
Tolland	588.13
Torrington	22,121.66
Trumbull	2,247.81
Union	206.06
Vernon	7,285.64
Voluntown	240.47
Wallingford	11,736.31
Warren	305.70
Washington	1,961.54
Waterbury	129,268.73
Waterford	3,368.84
Watertown	6,241.23
Westbrook	1,253.31
West Hartford	31,031.92
West Haven	20,371.67
Weston	347.76
Westport	8,698.18
Wethersfield	5,516.90
Willington	567.91
Wilton	1,582.47
Winchester	6,683.59
Windham	11,014.64
Windsor	7,437.59
Windsor Locks	2,843.35
Wolcott	525.89
Woodbridge	1,320.66
Woodbury	1,288.77
Woodstock	945.44
Total	1,668,092.05

State grants for education and highways, 1930–31

Town	Population	Highway	Amount of grant	Total
Andover	430	$7,644.36	$4,573.00	$12,217.36
Ansonia	19,898	2,420.29	11,967.83	14,388.12
Ashford	726	7,212.06	7,840.50	15,052.56
Avon	1,738	29,275.73	9,498.50	38,774.23
Barkhamsted	697	13,070.68	11,194.18	24,264.86
Beacon Falls	1,693	8,435.50	10,111.97	18,547.47
Berlin	4,875	17,558.02	3,086.65	20,644.67
Bethany	480	217,948.61	5,247.25	23,195.86
Bethel	3,886	11,019.51	2,594.75	13,614.26
Bethlehem	544	13,511.61	4,443.30	17,954.91
Bloomfield	3,247	23,727.47	2,669.31	26,396.78
Bolton	504	71,532.60	5,495.50	77,028.10
Bozrah	859	34,966.95	8,903.43	43,870.38
Branford	7,022	8,286.96	4,207.45	12,494.41
Bridgeport	146,716	1,186.02	86,863.73	88,049.75
Bridgewater	432	10,230.42	4,204.50	14,434.92
Bristol	28,451	71,824.27	17,592.99	89,417.26
Brookfield	926	9,286.39	7,816.45	17,102.84
Brooklyn	2,250	13,409.90	8,325.56	21,735.46
Burlington	1,082	17,746.42	11,229.48	28,975.90
Canaan	565	46,247.57	5,443.65	51,691.22
Canterbury	942	9,116.05	10,284.75	19,400.80
Canton	2,397	15,769.00	1,214.00	16,983.00
Chaplain	414	142,055.75	2,823.75	144,879.50
Cheshire	3,263	33,570.89	4,867.63	38,438.52
Chester	1,463	7,628.99	5,495.65	13,124.64
Clinton	1,574	11,110.98	2,419.50	13,530.48
Colchester	2,134	10,229.72	7,060.31	17,290.03
Colebrook	564	60,239.99	5,640.13	65,880.12
Columbia	648	12,980.06	7,640.63	20,620.69
Cornwall	878	217,737.70	7,801.62	225,539.32
Coventry	1,554	155,988.19	11,734.09	167,722.28
Cromwell	2,814	22,058.14	9,590.28	31,648.42
Danbury	26,955	386,919.61	15,900.42	402,820.03
Darien	6,951	16,431.37	3,176.26	19,607.63
Derby	10,788	96,126.63	6,667.87	102,794.50
Durham	1,044	291,473.75	8,499.67	299,973.42
Eastford	529	50,939.70	7,697.45	58,637.15
East Granby	1,003	10,581.09	8,330.63	18,911.72
East Haddam	2,114	85,532.65	1,188.00	86,720.65
East Hampton	2,616	456,433.75	8,393.27	464,727.02
East Hartford	17,125	52,466.34	10,870.58	63,336.92
East Haven	7,815	402,868.37	7,586.16	410,454.53
East Lyme	2,575	75,323.63	6,861.25	82,184.88
Easton	1,013	65,886.11	7,868.00	73,754.11
East Windsor	3,815	46,295.94	14,652.00	60,947.94
Ellington	2,253	23,617.27	10,278.51	33,895.78
Enfield	13,404	10,751.86	8,901.41	19,653.27
Essex	2,777	13,850.03	7,318.25	21,168.28
Fairfield	17,218	164,465.34	11,012.85	175,478.19
Farmington	4,548	16,028.48	2,732.25	18,760.73
Franklin	611	11,752.05	6,685.95	18,438.00
Glastonbury	5,783	16,314.29	3,523.01	19,837.30
Goshen	583	54,517.33	6,897.50	61,414.83
Granby		15,502.46	11,254.62	26,757.08
Greenwich	33,112	197,142.69	19,605.08	216,747.77
Griswold	6,010	128,306.33	14,580.98	142,887.31
Groton	10,770	31,879.34	4,849.42	36,728.76
Guilford	3,117	32,738.94	2,406.75	35,145.69
Haddam	1,755	121,071.64	10,930.73	132,002.37
Hamden	19,020	20,536.06	18,042.28	38,578.34
Hampton	511	42,672.63	6,916.50	49,589.13
Hartford	164,072	15,062.35	96,101.92	111,164.27
Hartland	296	17,119.06	5,620.50	22,739.56
Harwinton	949	154,025.67	11,218.82	165,244.49
Hebron	879	11,414.78	10,619.13	22,033.91
Kent	1,054	60,003.58	8,167.75	68,171.33

State grants for education and highways, 1930–31—Continued

Town	Population	Highway	Amount of grant	Total
Killingly	8,852	$20,134.63	$5,579.45	$25,714.08
Killingworth	482	7,727.29	7,075.58	14,802.87
Lebanon	1,436	12,748.67	9,668.50	22,417.17
Ledyard	1,144	6,250.57	11,349.58	17,600.15
Lisbon	1,097	203,953.11	7,631.63	211,584.74
Litchfield	3,574	55,652.50	2,901.50	58,554.00
Lyme	546	7,886.16	6,520.38	14,406.54
Madison	1,918	9,067.17	1,959.50	11,026.67
Manchester	21,973	51,708.97	6,243.71	57,952.68
Manchester, ninth district			6,703.75	
Manchester, complete			12,947.46	
Mansfield	3,349	307,414.16	19,176.11	326,590.27
Marlborough	319	10,238.17	2,956.35	13,194.52
Meriden	38,481	150,507.94	20,702.97	171,210.91
Middlebury	1,449	24,673.14	8,559.84	32,232.98
Middlefield	1,201	49,130.66	9,407.06	58,537.72
Middletown	24,554	34,942.35	5,026.00	39,968.35
Middletown, city district			8,686.91	
Middletown, complete			13,712.91	
Milford	12,660	124,698.34	6,746.30	131,444.64
Monroe	1,221	35,108.74	9,226.00	43,334.74
Montville	3,970	18,193.11	5,718.70	23,911.81
Morris	481	18,150.32	4,829.95	22,980.27
Naugatuck	14,315	21,241.60	8,663.36	29,904.96
New Britain	68,128	11,323.61	46,443.79	57,767.40
New Canaan	5,456	151,099.01	3,329.49	154,428.50
New Fairfield	434	50,588.68	5,545.25	56,133.93
New Hartford	1,834	15,671.17	6,745.84	22,417.01
New Haven	162,655	31,533.67	130,553.84	162,087.51
Newington	4,572	14,498.83	7,432.22	21,931.05
New London	29,640	7,980.79	15,032.45	23,013.24
New Milford	4,700	259,643.35	2,719.50	262,362.85
Newtown	2,635	357,580.71	1,260.00	358,840.71
Norfolk	1,298	65,856.93	3,145.75	69,002.68
North Branford	1,329	12,563.27	9,877.71	22,440.98
North Canaan	2,287	12,438.53	4,934.23	17,372.76
North Haven	3,730	24,673.96	11,883.47	36,557.43
North Stonington	1,135	30,633.41	7,611.51	38,244.51
Norwalk	36,019	5,748.17	18,464.45	24,212.62
Norwich	32,438	121,405.31	18,173.05	139,578.36
Old Lyme	1,313	16,423.08	5,953.75	22,376.83
Old Saybrook	1,643	63,783.12	826.00	64,609.12
Orange	1,530	87,252.25	9,242.63	96,494.88
Oxford	1,141	26,778.85	13,967.00	40,745.85
Plainfield	8,027	151,064.93	4,647.53	155,712.46
Plainville	6,301	9,151.99	3,751.75	12,903.74
Plymouth	6,070	9,512.94	4,162.78	13,675.72
Pomfret	1,617	16,551.39	10,784.90	27,336.29
Portland	3,930	17,044.95	2,982.50	20,027.45
Preston	3,928	11,121.87	9,715.23	20,837.10
Prospect	531	35,609.63	5,019.68	40,629.31
Putnam	8,099	50,741.86	4,158.40	54,900.26
Redding	1,599	63,676.04	6,273.28	69,949.32
Ridgefield	3,580	20,755.39	2,466.25	23,221.64
Rocky Hill	2,021	38,466.40	8,206.88	46,673.28
Roxbury	553	22,879.47	6,651.50	29,530.97
Salem	403	7,491.75	6,681.75	14,173.50
Salisbury	2,767	270,165.85	1,292.00	271,457.85
Saybrook	2,381	7,766.02	1,536.75	9,302.77
Scotland	402	31,976.88	3,126.50	35,103.38
Seymour	6,890	88,752.01	4,865.01	93,617.02
Sharon	1,710	85,777.90	842.50	86,620.40
Shelton	10,113	22,555.46	6,380.25	28,935.71
Sherman	391	9,106.33	3,999.25	13,105.58
Simsbury	3,625	16,208.35	2,684.81	18,893.16
Somers	1,917	8,745.86	13,030.00	21,775.86
Southbury	1,134	18,302.84	8,829.80	27,132.64
Southington	9,237	130,699.45	6,561.95	137,261.40
South Windsor	3,815	98,944.93	5,298.43	104,243.36
Sprague	2,539	6,119.33	4,567.33	10,686.66
Stafford	5,949	16,382.81	3,113.62	19,496.43
Stamford	56,765	246,360.28	35,224.42	281,584.70
Sterling	1,233	25,671.69	10,786.50	36,458.19
Stonington	11,025	11,471.90	5,808.75	17,280.65
Stratford	19,212	80,896.79	12,105.36	93,002.15
Suffield	4,346	8,633.34	3,742.25	12,375.59
Thomaston	4,188	83,547.58	2,320.75	85,868.33
Thompson	4,999	44,031.09	3,807.00	47,838.09
Tolland	1,064	11,757.17	11,414.58	23,171.75
Torrington	26,040	148,715.38	16,877.50	165,592.88
Trumbull	3,624	57,373.30	12,320.94	69,694.24
Union	196	7,384.03	3,070.00	10,454.03
Vernon	8,703	190,324.90	4,684.67	195,009.57
Voluntown	651	22,693.68	5,797.50	28,491.18
Wallingford	14,278	11,585.22	8,268.04	19,853.26
Warren	303	295,025.48	3,408.25	298,433.73
Washington	1,775	163,526.73	909.00	164,435.73
Waterbury, complete	99,902	17,927.78	61,562.40	79,490.18
Waterford	4,742	15,693.76	16,233.44	31,927.20
Watertown	8,192	98,043.22	5,520.93	103,564.15
Westbrook	1,037	8,200.66	4,441.77	12,642.43
West Hartford	24,931	22,735.01	11,573.50	34,308.51
West Haven	25,808	13,072.86	17,208.02	30,280.88
Weston	670	6,035.97	5,199.70	11,235.67
Westport	6,073	5,342.88	3,463.58	8,806.46
Wethersfield	7,512	302,769.23	3,751.00	306,520.23
Willington	1,213	8,260.44	12,333.25	20,593.69
Wilton	2,133	27,106.05	8,667.09	35,773.14
Winchester	8,674	90,490.86	4,488.99	94,979.85
Windham	13,773	18,030.30	7,986.73	26,017.03
Windsor	8,290	13,989.56	5,591.84	19,581.40
Windsor Locks	4,073	8,876.45	2,813.75	11,690.20
Wolcott	972	8,553.78	10,385.65	18,939.43
Woodbridge	1,630	14,309.31	5,119.80	19,429.11
Woodbury	1,744	300,775.82	3,038.88	303,814.70
Woodstock	1,712	69,638.00	12,236.00	81,874.00
Total	1,602,166	10,792,305.36	1,677,405.61	

HOUR OF MEETING TO-MORROW

Mr. COLLINS. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet to-morrow at 11 o'clock.

Mr. CULLEN. Reserving the right to object, I would like to ask the chairman of the committee if it is his purpose to complete the bill to-morrow?

Mr. COLLINS. We wish to go as far toward the passage of the bill as is possible. I do not know whether we will be able to complete it or not.

Mr. CULLEN. I want to ask the gentleman if there will be any roll call to-morrow on the bill?

Mr. COLLINS. I am not able to answer the gentleman.

Mr. SNELL. There will probably be roll calls on the bill at some time.

Mr. SCHAFER. Reserving the right to object, the committee of which I am a member has some very important hearings to-morrow, and I can not be in two places at the same time. I object.

EXPOSITION IN PARIS IN 1931 (S. DOC. NO. 94)

The SPEAKER laid before the House the following message from the President of the United States, which was read and referred to the Committee on Foreign Affairs:

To the Congress of the United States:

I am forwarding for the consideration of the Congress a report of April 30, 1932, from the Acting Secretary of State, transmitting the following documents in connection with the participation of this Government in an exposition which was held at Paris, France, in 1931, the preparation for and activities in connection with such participation having extended from 1930 to 1932:

I. Report of the Commissioner General and the Commissioner of the United States of America to the International Colonial and Overseas Exposition.

II. Financial statement of appropriations and expenditures in connection with the same.

III. Covering letter of April 30, 1932, from the commissioner general to the Secretary of State, accompanying the financial statement.

Accompaniments: As listed.

THE WHITE HOUSE.

ELECTION TO A COMMITTEE

Mr. SNELL. Mr. Speaker, I offer the following resolution.

The Clerk read as follows:

House Resolution 222

Resolved, That HOWARD W. STULL, of Pennsylvania, be, and he is hereby, elected a member of the standing Committee on Invalid Pensions.

The resolution was agreed to.

SENATE BILLS AND JOINT RESOLUTION REFERRED

Bills and a joint resolution of the Senate of the following titles were taken from the Speaker's table and under the rule referred as follows:

S. 2434. An act for the relief of Edgar H. Taber; to the Committee on Military Affairs.

S. 3191. An act for the relief of Anne B. Slocum; to the Committee on Claims.

S. 4070. An act to authorize the acquisition of a certain building, furniture, and equipment in the Crater Lake National Park; to the Committee on the Public Lands.

S. J. Res. 125. Joint resolution authorizing the attorney general of Wisconsin to examine Government records in relation to claims of Wisconsin Indians; to the Committee on Indian Affairs.

SENATE ENROLLED BILL SIGNED

The Speaker announced his signature to an enrolled bill of the Senate of the following title:

S. 3584. An act to require all insurance corporations formed under the provisions of Chapter XVIII of the Code of Law of the District of Columbia to maintain their principal offices and places of business within the District of Columbia, and for other purposes.

ADJOURNMENT

Mr. COLLINS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 33 minutes p. m.) the House adjourned until to-morrow, Saturday, May 14, 1932, at 12 o'clock noon.

COMMITTEE HEARINGS

Tentative list of committee hearings scheduled for Saturday, May 14, 1932, as reported to the floor leader by clerks of the several committees:

COMMITTEE ON RULES

(10.30 a. m.)

Hearings on bill relative to recapture clause.

COMMITTEE ON THE JUDICIARY

(10 a. m.)

Conservation of oil and gas and protection of American resources (H. R. 10863).

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

559. A communication from the President of the United States, transmitting two deficiency estimates of appropriations for the Navy Department for the fiscal years 1923 and 1927, amounted in all to $1,543.11, for the payment of claim settlements reported by the General Accounting Office as chargeable to appropriations which are exhausted, together with two provisions affecting existing appropriations for the fiscal year 1932 (H. Doc. No. 323); to the Committee on Appropriations and ordered to be printed.

560. A communication from the President of the United States, transmitting a supplemental estimate of appropriations for the Department of Commerce for the fiscal year ending June 30, 1933 (H. Doc. No. 324); to the Committee on Appropriations and ordered to be printed.

561. A communication from the President of the United States, transmitting a supplemental estimate of the appropriation pertaining to the legislative establishment, House of Representatives, for the fiscal year 1932 (H. Doc. No. 325); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. CARTWRIGHT: Committee on Indian Affairs. H. R. 7123. A bill to provide for the manufacture and sale of industrial and beverage alcohol for lawful purposes in Osage County, Okla.; with amendment (Rept. No. 1292). Referred to the House Calendar.

Mr. SUMNERS of Texas: Committee on the Judiciary. H. R. 10243. A bill granting the consent of Congress to any two or more States to enter into agreements or compacts for cooperative effort and mutual assistance in the prevention of crime, and for other purposes; without amendment (Rept. No. 1299). Referred to the House Calendar.

Mr. McKEOWN: Committee on the Judiciary. S. 2655. An act providing for waiver of prosecution by indictment in certain criminal proceedings; with amendment (Rept. No. 1300). Referred to the House Calendar.

Mr. HALL of Mississippi: Committee on Indian Affairs. H. R. 6684. A bill to mend the act of June 25, 1910, entitled "An act to provide for determining the heirs of deceased Indians, for the disposal and sale of allotments of deceased Indians, for the lease of allotments, and for other purposes," so as to authorize the Secretary of the Interior to modify the terms of certain contracts, when in his judgment it is in the interest of the Indians so to do; with amendment (Rept. No. 1302). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. RAYBURN: Committee on Interstate and Foreign Commerce. H. R. 11914. A bill to authorize the Secretary

of Commerce to grant an easement for railroad right of way over and upon a portion of the helium gas bearing lands of the United States of America, in Potter County, in the State of Texas; without amendment (Rept. No. 1293). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 598. A bill for the relief of William A. Reithel; with amendment (Rept. No. 1294). Referred to the Committee of the Whole House.

Mr. HARE: Committee on War Claims. H. R. 2103. A bill for the relief of St. Ludgers Catholic Church of Germantown, Henry County, Mo.; without amendment (Rept. No. 1295). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 8879. A bill for the relief of Joanna A. Sheehan; with amendment (Rept. No. 1296). Referred to the Committee of the Whole House.

Mr. CAVICCHIA: Committee on War Claims. S. 439. An act for the relief of A. C. Messler Co.; without amendment (Rept. No. 1297). Referred to the Committee of the Whole House.

Mr. LINTHICUM: Committee on Foreign Affairs. H. R. 11971. A bill to fulfill certain treaty obligations with respect to water levels of the Lake of the Woods; without amendment (Rept. No. 1301). Referred to the Committee of the Whole House.

Mr. SCHAFER: Committee on Claims. H. R. 2453. A bill for the relief of Mary E. Roney; with amendment (Rept. No. 1303). Referred to the Committee of the Whole House.

ADVERSE REPORT

Under clause 2 of Rule XIII,

Mr. MARTIN of Oregon: Committee on War Claims. A bill (H. R. 10439) for the relief of Harold I. Mourer (Rept. No. 1298). Laid on the table.

CHANGE OF REFERENCE

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 5358) conferring jurisdiction upon certain courts of the United States to hear and determine the claim by the owner of the 4-masted auxiliary bark *Quevilly* against the United States, and for other purposes; Committee on War Claims discharged, and referred to the Committee on Claims.

A bill (H. R. 11632) granting a pension to Cordie Brandenburg; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mrs. NORTON: A bill (H. R. 12041) to provide for the recording of deeds of trust and mortgages secured on real estate in the District of Columbia and for the releasing thereof, and for other purposes; to the Committee on the District of Columbia.

By Mrs. PRATT: A bill (H. R. 12042) to authorize the Secretary of War to transfer and convey to the State of New York all right and title now vested in the United States to land and buildings thereon known as Fort Schuyler, N. Y.; to the Committee on Military Affairs.

By Mr. SABATH: A bill (H. R. 12043) to amend sections 2, 5, and 9 of the Reconstruction Finance Corporation act; to the Committee on Banking and Currency.

By Mr. DIES: A bill (H. R. 12044) to provide for the exclusion and expulsion of alien communists; to the Committee on Immigration and Naturalization.

By Mr. BOILEAU: A bill (H. R. 12045) authorizing a per capita payment of $50 to the members of the Menominee Tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States; to the Committee on Indian Affairs.

By Mr. SWING: A bill (H. R. 12046) to amend an act entitled "An act to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, to protect American labor, and for other purposes," approved June 17, 1930; to the Committee on Ways and Means.

By Mr. PEAVEY: A bill (H. R. 12047) to provide for the transfer of powder and other explosive materials from deteriorated and unserviceable ammunition under the control of the War Department to the Department of Agriculture for use in land clearing, drainage, road building, and other agricultural purposes; to the Committee on Military Affairs.

By Mr. ARENTZ: A bill (H. R. 12048) to authorize the purchase by the Government of the United States of American-produced silver, to provide for the issuance of reserve silver certificates in payment thereof, and for other purposes; to the Committee on Coinage, Weights, and Measures.

By Mr. SNELL: Resolution (H. Res. 222) electing HOWARD W. STULL, of Pennsylvania, a member of the standing Committee on Invalid Pensions.

By Mr. BYRNS: Joint resolution (H. J. Res. 382) making an additional appropriation for printing and binding for Congress for the fiscal year 1932; to the Committee on Appropriations.

By Mr. BALDRIGE: Joint resolution (H. J. Res. 383) to authorize a compact or agreement between Iowa and Nebraska with respect to fishing privileges and other matters relating to jurisdiction on the Missouri River, and for other purposes; to the Committee on the Judiciary.

MEMORIAL

Under clause 3 of Rule XXII, a memorial was presented and referred as follows:

Memorial of the Provincial Board of Romblon, P. I., expressing their appreciation to the House of Representatives for the passage of the Philippine-independence legislation; to the Committee on Insular Affairs.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. ANDRESEN: A bill (H. R. 12049) granting an increase of pension to Minnie Krause; to the Committee on Invalid Pensions.

By Mr. BLOOM: A bill (H. R. 12050) for the relief of Ludwig Bahnweg; to the Committee on Claims.

By Mr. BRAND of Ohio: A bill (H. R. 12051) granting an increase of pension to Ella G. Swisher; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12052) granting an increase of pension to Mary Swope; to the Committee on Invalid Pensions.

By Mr. CRAIL: A bill (H. R. 12053) granting a pension to Louise E. S. Butler; to the Committee on Invalid Pensions.

By Mr. DISNEY: A bill (H. R. 12054) granting a pension to John Eigel; to the Committee on Pensions.

Also, a bill (H. R. 12055) granting a pension to Matleslie Robinson; to the Committee on Pensions.

By Mr. FIESINGER: A bill (H. R. 12056) granting an increase of pension to Eva S. Bell; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12057) granting an increase of pension to Louisa Morgan; to the Committee on Invalid Pensions.

By Mr. FREEMAN: A bill (H. R. 12058) providing for an examination and survey of New London Harbor, Conn.; to the Committee on Rivers and Harbors.

Also, a bill (H. R. 12059) for the relief of Lillian L. Bushnell; to the Committee on Claims.

Also, a bill (H. R. 12060) granting an increase of pension to Mary A. Potter; to the Committee on Invalid Pensions.

By Mr. GUYER: A bill (H. R. 12061) granting a pension to Isadorah Wilson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12062) granting a pension to Mattie E. Fruit; to the Committee on Pensions.

By Mr. HOGG of Indiana: A bill (H. R. 12063) granting an increase of pension to Rachel S. Ditton; to the Committee on Invalid Pensions.

By Mr. HOLLISTER: A bill (H. R. 12064) granting an increase of pension to Charlotte Kaufman; to the Committee on Invalid Pensions.

By Mr. JOHNSON of Washington: A bill (H. R. 12065) for the relief of Frank P. Ross; to the Committee on Agriculture.

Also, a bill (H. R. 12066) for the relief of Earl A. Ross; to the Committee on Agriculture.

By Mr. LINDSAY: A bill (H. R. 12067) for the relief of James A. Hassett; to the Committee on Claims.

By Mr. LONERGAN: A bill (H. R. 12068) for the relief of George A. Owen; to the Committee on Claims.

By Mr. RAMSEYER: A bill (H. R. 12069) granting an increase of pension to Camila Hadley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 12070) granting an increase of pension to Clarence W. Failor; to the Committee on Pensions.

By Mr. SANDERS of New York: A bill (H. R. 12071) granting an increase of pension to Susan J. Klock; to the Committee on Invalid Pensions.

By Mr. WASON: A bill (H. R. 12072) for the relief of Paul G. Hamel; to the Committee on Military Affairs.

By Mr. WEST: A bill (H. R. 12073) granting an increase of pension to Elizabeth Patterson; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

7710. By Mr. BOYLAN: Letter from the New York chapter of the Knights of Columbus, New York City, N. Y., opposing the passage of House bill 11082; to the Committee on Education.

7711. Also, resolutions adopted by the New York Tow Boat Exchange, New York City, N. Y., favoring the coordination and consolidation of the Bureau of Navigation and the Steamboat Inspection Service; to the Committee on Economy.

7712. Also, resolution unanimously adopted by the American Water Works Association, New York City, N. Y., to avert crippling water service and to provide employment of nation-wide distribution on necessary public works, etc.; to the Committee on Rivers and Harbors.

7713. Also, resolution adopted at the regular meeting of the New York Florists' Club, New York City, favoring the modification or repeal of the Volstead Act; to the Committee on the Judiciary.

7714. Also, resolution adopted by the National Cigar Box Manufacturers' Association, favoring an amendment to the Volstead Act permitting the manufacture of beer and light wines; to the Committee on the Judiciary.

7715. Also, resolution adopted by the Civil Service Forum of New York City, opposing any reduction of the compensation of civil-service employees of the United States Government; to the Committee on the Civil Service.

7716. By Mr. CHIPERFIELD: Petition of the Local Union No. 639, of Middle Grove, Ill., urging investigation of the coreceivers of the Interstate Coal Co.; to the Committee on the Judiciary.

7717. By Mr. CRAIL: Petition of Margaret Crowder, of Los Angeles, Calif., requesting a congressional investigation of the victims of the Armistice Day raid of a workers' hall in Centralia, Wash.; to the Committee on the Judiciary.

7718. Also, petition of Margaret O'Sullivan and many other citizens of Los Angeles County, Calif., to end national prohibition and legalize and levy tax on 4 per cent beer to help balance Budget; to the Committee on Ways and Means.

7719. Also, petition of Mrs. James Garner Simpson, Los Angeles, Calif., petitioning Congress to take action at once to relieve unemployment and put an end to hard times, with many suggestions for doing so; to the Committee on Ways and Means.

7720. By Mr. CROWE: Petition of citizens of Spencer County, Ind., supporting House Joint Resolution 366; to the Committee on the Judiciary.

7721. By Mr. CULLEN: Petition of the American Water Works Association, urging Congress to enact legislation to extend Federal loan facilities to sound, self-supporting public works, such as the construction of necessary waterworks for solvent waterworks systems; to the Committee on Banking and Currency.

7722. Also, petition of the National Cigar Box Manufacturers Association, urging the passage of an amendment by Congress to the Volstead Act permitting the manufacture of beer and light wines, and that a tax be placed on same to meet the deficiency in the present Budget; to the Committee on the Judiciary.

7723. By Mr. EVANS of California: Petition signed by approximately 120 persons, protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

7724. By Mr. GOLDSBOROUGH: Resolution of the Snow Hill-Worcester Chamber of Commerce, Snow Hill, Md., urging the balancing of the Federal Budget, every possible saving in governmental expenditures, and the putting into effect of every wise economy possible; to the Committee on Economy.

7725. By Mr. HADLEY: Petition of a number of residents of Bellingham, Wash., protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

7726. By Mr. KOPP: Petition of E. Ferguson, agent, Chicago, Rock Island & Pacific Railway Co. and the Chicago, Milwaukee, St. Paul & Pacific Railway Co., and other citizens of Muscatine, Iowa, urging the regulation of motor trucks and motor busses; to the Committee on Interstate and Foreign Commerce.

7727. By Mr. MEAD: Petition of World War Veterans of Erie County, regarding veterans' bonus legislation; to the Committee on Ways and Means.

7728. Also, petition of Polish National Alliance of the United States of North America, memorializing the Congress of the United States to enact House Joint Resolution 144; to the Committee on the Judiciary.

7729. By Mrs. OWEN: Petition signed by Mrs. H. G. McAllister and 49 other residents of Cocoa, Fla., opposing modification or repeal of the prohibition law; to the Committee on the Judiciary.

7730. By Mr. PARKER of Georgia: Petition of J. J. Hinely and 14 other citizens of Georgia, urging the enactment of legislation regulating busses and trucks engaged in hauling passengers and freight; to the Committee on Interstate and Foreign Commerce.

7731. By Mr. ROBINSON: Petition signed by Mrs. Paul Stevenson, secretary, and other members of the Tranquility Missionary Society, Traer, Iowa, urging the protection of the reindeers of Alaska; to the Committee on Agriculture.

7732. By Mr. RUDD: Petition of the National League of Women Voters, Washington, D. C., opposing the Fish amendment to House Joint Resolution 378; to the Committee on Foreign Affairs.

7733. Also, petition of the Union League of Philadelphia, Pa., favoring the balancing of the Budget; to the Committee on Appropriations.

7734. Also, petition of the Commercial Envelope Co., Woodberry, Baltimore, Md., opposing the increase rate in first-class postage; to the Committee on Ways and Means.

7735. Also, petition of National Cigar Box Manufacturers Association, Philadelphia, Pa., favoring the modification of the Volstead Act, permitting the manufacture of beer and light wines, and a tax be placed necessary to meet the deficiency in the present Budget; to the Committee on the Judiciary.

7736. Also, petition of International Agricultural Corporation, Buffalo, N. Y., favoring balancing the Budget; to the Committee on Appropriations.

7737. By Mr. SMITH of West Virginia: Resolution of the Elkridge Safety Club, Elkridge, W. Va., opposing the Davis-Kelly bill; to the Committee on Interstate and Foreign Commerce.

7738. Also, resolution of the Brooklyn Safety Club, Brooklyn, W. Va., opposing the Davis-Kelly bill; to the Committee on Interstate and Foreign Commerce.

7739. Also, resolution of the Rossmore Safety Club, Rossmore, W. Va., opposing the Davis-Kelly bill; to the Committee on Interstate and Foreign Commerce.

7740. Also, resolution of the Elverton Safety Club, Elverton, W. Va., protesting against the Davis-Kelly bill; to the Committee on Interstate and Foreign Commerce.

7741. Also, resolution of the Laurel Creek Safety Club, Laurel Creek, W. Va., opposing the Davis-Kelly bill; to the Committee on Interstate and Foreign Commerce.

7742. Also, resolution of the Milburn Safety Club, Milburn, W. Va., opposing the Davis-Kelly coal bill; to the Committee on Interstate and Foreign Commerce.

7743. By Mr. SUTPHIN: Resolution of the Chamber of Commerce of South Plainfield, favoring reduction of the taxes and balancing of the Budget; to the Committee on Economy.

7744. By Mr. SWING: Petition signed by 209 residents of National City, Calif., protesting against compulsory Sunday observance; to the Committee on the District of Columbia.

7745. By Mr. WATSON: Resolutions adopted by the Lumbermen's Exchange of the city of Philadelphia, relative to motor-truck and water-borne transportation; to the Committee on Interstate and Foreign Commerce.

SENATE

SATURDAY, MAY 14, 1932

(Legislative day of Monday, May 9, 1932)

The Senate met at 11 o'clock meridian, on the expiration of the recess.

Mr. FESS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Couzens	Kean	Smith
Austin	Dale	Kendrick	Smoot
Bankhead	Dickinson	Keyes	Steiwer
Barbour	Dill	King	Stephens
Barkley	Fess	La Follette	Thomas, Idaho
Blaine	Fletcher	Logan	Thomas, Okla.
Borah	Frazier	Long	Townsend
Bratton	George	McGill	Trammell
Broussard	Goldsborough	McNary	Tydings
Bulow	Hale	Metcalf	Vandenberg
Byrnes	Harrison	Moses	Wagner
Capper	Hastings	Norris	Walsh, Mass.
Caraway	Hayden	Nye	Walsh, Mont.
Cohen	Hebert	Patterson	Watson
Connally	Howell	Robinson, Ark.	Wheeler
Coolidge	Hull	Robinson, Ind.	
Copeland	Johnson	Sheppard	
Costigan	Jones	Shortridge	

Mr. HULL. I desire to announce that my colleague the senior Senator from Tennessee [Mr. McKELLAR] is unavoidably detained by illness.

Mr. FESS. I desire to announce that the Senator from West Virginia [Mr. HATFIELD] is detained in a committee meeting, and the Senator from Nevada [Mr. ODDIE] is also detained from the Senate on official business.

The VICE PRESIDENT. Sixty-nine Senators have answered to their names. A quorum is present. House bill 10236 is before the Senate, and the question is on the amendment proposed by the Senator from Michigan [Mr. COUZENS]

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its clerks, announced that the House had passed a joint resolution (H. J. Res. 382) making an additional appropriation for printing and binding for Congress for the fiscal year 1932, in which it requested the concurrence of the Senate.

EXPENSES OF ALABAMA SENATORIAL CONTEST

Mr. SHORTRIDGE. Mr. President, as chairman of the Committee on Privileges and Elections, I have been asked to request unanimous consent to take up at this time Senate Resolution 213, a resolution further increasing the limit of expenditures in the matter of the Heflin-Bankhead senatorial contest from the State of Alabama. The resolution was introduced, referred to the appropriate committee, reported with an amendment, and I understand that as amended the resolution is agreeable to both contestant and contestee. Wherefore I am making this request.

Mr. KING. Mr. President——

The PRESIDENT pro tempore. Does the Senator from California yield to the Senator from Utah?

Mr. SHORTRIDGE. I yield.

Mr. KING. Has the matter been brought to the attention of the full committee? I am the ranking minority member of the committee, and I never heard of it.

Mr. SHORTRIDGE. The chairman of the subcommittee [Mr. HASTINGS] will make answer to the Senator.

Mr. SMOOT. Mr. President, is this going to lead to debate?

Mr. KING. It will.

Mr. SHORTRIDGE. I do not think it will; or, rather, I had hoped it would not.

Mr. SMOOT. If it is going to lead to debate, I must object.

The PRESIDENT pro tempore. Objection is made.

Mr. SHORTRIDGE. I hope that when consideration of the resolution is again suggested there will not be any objection or any prolonged debate. There are certain expenditures that have been incurred. The parties to the contest have expressed satisfaction with the resolution as it was and is amended. Of course, if there is objection, the matter will have to rest for further consideration.

HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H. J. Res. 382) making an additional appropriation for printing and binding for Congress for the fiscal year 1932 was read twice by its title and referred to the Committee on Appropriations.

IMPORTATIONS OF WOOD PULP—REVISED DATA

The VICE PRESIDENT laid before the Senate a letter from the acting chairman of the United States Tariff Commission relative to its recent report on wood pulp and pulpwood (presenting tables showing the production during the three years 1929, 1930, and 1931 of a large number of domestic pulp mills) submitting additional data on pulp mills, revising and correcting the figures previously presented, which, with the accompanying paper, was referred to the Committee on Finance.

PETITIONS AND MEMORIALS

Mr. SHORTRIDGE presented telegrams in the nature of memorials from Margaret O'Reilly, president of the Hibernian organization, and Mrs. Charles O'Donnell Lee, jr., president of the Altar Society of the Old Santa Barbara Mission, both of Santa Barbara, Calif., remonstrating against the passage of the bill (S. 3907) to amend section 211 of the Criminal Code, as amended (relating to certain nonmailable matter), especially with reference to the dissemination of birth-control information, which were referred to the Committee on the Judiciary.

Mr. TYDINGS presented a resolution adopted by Wicomico Post, No. 64, American Legion, of Salisbury, Md., favoring elimination of the interest rate on veterans' adjusted-service certificates, which was referred to the Committee on Finance.

He also presented a resolution adopted by the Snow Hill-Worcester Chamber of Commerce, at Snow Hill, Md., favoring the prompt balancing of the Budget and retrenchment in governmental expenditures, which was referred to the Committee on Appropriations.

He also presented a memorial of sundry citizens of the State of Maryland, remonstrating against reductions in the compensation of Federal employees or adoption of the so-called furlough plan in the Federal service, which was referred to the Committee on Appropriations.

He also presented a memorial of sundry citizens of the State of Maryland, remonstrating against reductions in the compensation of Federal employees, the dismissal of certain married persons in the Government service, etc., which was referred to the Committee on Appropriations.