SENATE

SATURDAY, MAY 28, 1932

(Legislative day of Monday, May 9, 1932)

The Senate met at 10 o'clock a. m., on the expiration of the recess.

Mr. GOLDSBOROUGH. 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	Johnson	Sheppard
Bailey	Cutting	Jones	Shipstead
Bankhead	Dale	Kean	Shortridge
Barbour	Davis	Kendrick	Smith
Barkley	Dickinson	Keyes	Smoot
Bingham	Dill	King	Steiwer
Black	Fess	La Follette	Stephens
Blaine	Fletcher	Logan	Thomas, Idaho
Borah	Frazier	McGill	Thomas, Okla.
Bratton	George	McKellar	Townsend
Broussard	Glass	McNary	Trammell
Bulkley	Goldsborough	Metcalf	Tydings
Bulow	Gore	Moses	Vandenberg
Byrnes	Hale	Neely	Wagner
Capper	Harrison	Norris	Walsh, Mass.
Caraway	Hastings	Oddie	Walsh, Mont.
Carey	Hatfield	Patterson	Watson
Cohen	Hawes	Pittman	Wheeler
Connally	Hayden	Reed	White
Coolidge	Hebert	Robinson, Ark.	
Copeland	Howell	Robinson, Ind.	
Costigan	Hull	Schall	

Mr. GLASS. I desire to announce that my colleague the senior Senator from Virginia [Mr. SWANSON] is still detained from the Senate in attendance upon the disarmament conference at Geneva. I will let this announcement stand for the day.

Mr. SHEPPARD. I wish to announce the necessary absence from the city of the junior Senator from Louisiana [Mr. LONG] on legislative business. He has a general pair with the Senator from Illinois [Mr. GLENN]. I wish this announcement to stand for the day and to be applied on all votes.

The VICE PRESIDENT. Eighty-five Senators have answered to their names. A quorum is present.

COMPETITION IN THE FLOUR INDUSTRY

The VICE PRESIDENT laid before the Senate a letter from the chairman of the Federal Trade Commission, transmitting, in further response to Senate Resolution No. 163, Sixty-eighth Congress, first session, a supplemental report of the commission relating to that portion of the resolution dealing with conditions in the flour-milling business, which, with the accompanying report, was ordered to lie on the table and to be printed.

PETITIONS AND MEMORIALS

Mr. BARBOUR presented a resolution adopted by the board of directors of the Kiwanis Club of Toms River, N. J., favoring the balancing of the Budget by means of retrenchment in governmental expenditures rather than increased taxation, which was referred to the Committee on Appropriations.

Mr. CAPPER presented memorials numerously signed by sundry citizens of the State of Kansas, remonstrating against the passage of legislation imposing a tax on bank checks under $10, which were ordered to lie on the table.

Mr. WALSH of Massachusetts presented papers in the nature of petitions from 165 citizens of the State of Massachusetts, praying for the modification of the Volstead Act and the repeal of the eighteenth amendment of the Constitution, which were referred to the Committee on the Judiciary.

He also presented petitions from 170 citizens of the State of Massachusetts, praying for the passage of legislation providing a pension system for railroad employees, which were referred to the Committee on Interstate Commerce.

He also presented papers in the nature of petitions from 220 citizens of the State of Massachusetts, praying for retrenchment in governmental expenditures and the balancing of the Budget, the imposition of a general sales tax, etc., which were referred to the Committee on Appropriations.

He also presented papers in the nature of petitions from 255 citizens of the State of Massachusetts, praying for the balancing of the Budget, the defeat of the bonus proposal, and the stopping of "all raids on the Treasury," and retrenchment in governmental expenditures, etc., which were referred to the Committee on Appropriations.

RELIEF OF UNEMPLOYMENT

Mr. JONES. Mr. President, I received this morning a telegram, which I ask the clerk to read.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Secretary will read as requested.

The Chief Clerk read as follows:

TACOMA, WASH., *May 27, 1932.*

Hon. WESLEY L. JONES,
Washington, D. C.:

Due to the fact that the unemployed are on the verge of starvation, drop all other legislation and act for direct food relief or take the consequences.

PAUL I. JONES,
ALEXANDER CHISHOLM,
FRED ISACKSON,
JOHN MELVILLE,
C. L. SEAGROVE,
H. C. MCCORD,
Unemployed Citizens League, Executive Board.

REPORTS OF COMMITTEES

Mr. THOMAS of Idaho, from the Committee on Indian Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 2613. An act for the relief of Lynn Bros.' Benevolent Hospital (Rept. No. 742); and

S. 3188. An act for the relief of Dr. A. M. Newton, of Pocatello, Idaho (Rept. No. 743).

Mr. WHEELER, from the Committee on Indian Affairs, to which was referred the bill (S. 2941) for the relief of the Holy Family Hospital, St. Ignatius, Mont., reported it with amendments and submitted a report (No. 744) thereon.

He also, from the same committee, to which was referred the bill (H. R. 10238) creating a reimbursable fund to be used for special medical and surgical work among the Indians of the Fort Peck Indian Reservation, Mont., and for other purposes, reported it without amendment and submitted a report (No. 745) thereon.

Mr. FRAZIER, from the Committee on Indian Affairs, to which was referred the bill (S. 4511) to amend sections 328 and 329 of the United States Criminal Code of 1910 and sections 548 and 549 of the United States Code of 1926, reported it with amendments and submitted a report (No. 746) thereon.

Mr. VANDENBERG, from the Committee on Commerce, to which was referred the bill (S. 4679) authorizing the Louisiana Highway Commission to construct, maintain, and operate a free highway bridge across the Pearl River at or near Pearlington, Miss., reported it without amendment and submitted a report (No. 747) thereon.

Mr. BINGHAM, from the Committee on Territories and Insular Affairs, submitted reports to accompany the following bills reported from that committee without amendment on the 27th instant, as indicated:

H. R. 3527. An act for the relief of Berta C. Hughes (Rept. No. 748);

H. R. 5052. An act to authorize the incorporated town of Juneau, Alaska, to use the funds arising from the sale of bonds in pursuance to the act of Congress of February 11, 1925, for the purpose either of improving the sewerage system of said town or of constructing permanent streets in said town (Rept. No. 749);

H. R. 6487. An act to authorize the incorporated town of Petersburg, Alaska, to issue bonds in any sum not exceeding $100,000 for the purpose of improving and enlarging the capacity of the municipal light and power plant, and the improvement of the water and sewer systems and for the purpose of retiring or purchasing bonds heretofore issued by the town of Petersburg (Rept. No. 750); and

H. R. 6713. An act for estimates necessary for the proper maintenance of the Government wharf at Juneau, Alaska (Rept. No. 751).

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

EXECUTIVE REPORTS OF THE POST OFFICE COMMITTEE

As in executive session,

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 INTRODUCED

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

By Mr. REED:

A bill (S. 4773) for the relief of Capt. Guy M. Kinman (with accompanying papers; to the Committee on Claims.

By Mr. DALE (for Mr. AUSTIN):

A bill (S. 4774) granting an increase of pension to Nettie B. Sargent; to the Committee on Pensions.

By Mr. ROBINSON of Indiana:

A bill (S. 4775) granting a pension to Sarah Hunter (with accompanying papers); to the Committee on Pensions.

By Mr. SCHALL:

A bill (S. 4776) to establish the boundary lines of the Chippewa Indian territory in the State of Minnesota; to the Committee on Indian Affairs.

By Mr. WAGNER:

A bill (S. 4777) for the relief of Jacob Durrenberger; to the Committee on Claims.

A bill (S. 4778) granting the consent of Congress to the Niagara Frontier Bridge Commission, its successors and assigns, to construct, maintain, and operate a toll bridge across the east branch of the Niagara River at or near the city of Tonawanda, N. Y.; to the Committee on Commerce.

By Mr. KING:

A bill (S. 4779) providing for the use of silver as security for Federal reserve notes in certain cases; to the Committee on Banking and Currency.

By Mr. BLACK:

A bill (S. 4780) to provide that advances under the Reconstruction Finance Corporation act may be made for crop planting or crop cultivation during the year 1932; to the Committee on Banking and Currency.

REVENUE AND TAXATION—AMENDMENTS

Mr. COSTIGAN, Mr. DILL, and Mr. WHEELER each submitted an amendment, and Mr. FLETCHER submitted two amendments intended to be proposed by them, respectively, to House bill 10236, the revenue and taxation bill, which were severally ordered to lie on the table and to be printed.

Mr. PITTMAN submitted an amendment intended to be proposed by him to the amendment intended to be proposed by Mr. WALSH of Massachusetts to House bill 10236, providing for a general manufacturers' excise tax, which was ordered to lie on the table and to be printed.

INVESTIGATION OF PRICES OF FARM MACHINERY

Mr. THOMAS of Idaho submitted the following resolution (S. Res. 217), which was referred to the Committee on Agriculture and Forestry:

Resolved, That a subcommittee of the Committee on Agriculture and Forestry consisting of three members appointed by the chairman of said committee be, and it is hereby, authorized and directed to make a thorough investigation of the prices of farm machinery.

The said subcommittee in its investigation shall ascertain:

(1) The comparative average prices paid by farmers in the United States and in the various States for farm machinery during the years 1931 and 1932 compared to the prices paid by them during previous years;

(2) Whether the prices paid by farmers for farm machinery have declined in proportion to the decline in the prices received by farmers for farm products during the periods enumerated under (1) hereof; and if not, what are the principal causes thereof;

(3) The average cost of production, distribution, and marketing of farm machinery in the United States;

(4) The average profits, commissions, rebates, bonuses, or other gains from the manufacture and/or sale of farm machinery;

(5) The extent to which farm machinery has been sold abroad by domestic concerns or individuals at cheaper prices than prevailing prices in the domestic market for similar articles;

(6) What discriminations, if any, exist in the prices charged for farm machinery in different regions of the country, taking into consideration any rebates, bonuses, or other remunerations affecting the costs of the articles.

(7) Any other information that the said subcommittee may deem pertinent to this inquiry.

In ascertaining this information the said subcommittee shall endeavor to secure data concerning representative types of farm machinery commonly used in the United States in the production of the principal farm commodities.

Said committee is hereby authorized, in the performance of its duties, to sit at such times and places, either in the District of Columbia or elsewhere, as it deems necessary or proper. It is specifically authorized to require the attendance of witnesses by subpœna or otherwise; to require the production of books, papers, and documents, and to employ counsel, auditors, accountants, or other experts, clerks, and other assistants; and to employ stenographers at a cost not exceeding 25 cents per 100 words. The chairman or any member of said subcommittee may administer oaths to witnesses and sign subpœnas for witnesses; and every person duly summoned before said committee, or any subcommittee thereof, who refuses or fails to obey the process of said committee or who appears and refuses to answer questions pertinent to said investigation shall be punished as prescribed by law.

The expenses of said investigation, not exceeding in the aggregate $20,000, shall be paid from the contingent fund of the Senate on vouchers signed by the chairman of the said subcommittee.

The said subcommittee after making such investigation shall report its findings to the Senate.

Mr. THOMAS of Idaho. Mr. President, to accompany the resolution I present a table from the Agricultural Yearbook, 1931, showing the index numbers of prices paid by farmers for farm machinery, compared with prices of farm products, 1910–1931, which I request may be printed in the RECORD and referred to the committee.

There being no objection, the table was referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

Index numbers of prices paid by farmers for farm machinery compared with prices of farm products, 1910–1931

[Base 1910–1914=100]

Year	Machinery	Farm products
1910	101	103
1911	103	95
1912	100	99
1913	98	100
1914	98	102
1915	101	100
1916	111	117
1917	132	176
1918	160	200
1919	178	209
1920	188	205
1921	175	116
1922	156	124
1923	151	135
1924	155	134
1925	158	147
1926	156	136
1927	157	131
1928	158	139
1929	162	138
1930	159	117
1931	154	80

Table 535, Agricultural Yearbook, 1931, Farm Business and Related Statistics. From the Agricultural Situation, issued by Bureau of Agricultural Economics, U. S. Department of Agriculture, May 1, 1932.

FIVE-DAY WEEK AND THE LABOR SITUATION

Mr. JONES. Mr. President, I have before me a very thoughtful and carefully considered article on the 5-day-week proposal and the labor situation generally, written by Mr. D. C. Henny, of Portland, Oreg., formerly connected with the Reclamation Service. I ask unanimous consent that it may be printed in the RECORD.

There being no objection, the article was ordered printed in the RECORD, as follows:

UNEMPLOYMENT AND ITS CURE—MEETING OF PORTLAND CITY CLUB

PORTLAND, OREG., *February 12, 1932.*

The capitalistic world to-day stands before the paradoxical fact that in the midst of plenty there is hunger and starvation and suffering. The problem is the more serious as no daylight ahead is observable unless in some manner the underlying cause can be discovered and made clear.

The present depression is by many regarded as a mere repetition of past history. We have had hard times at more or less regular intervals. It is in the nature of things that life and change and action should cause undulations in industry and trade. We have periods of optimism followed by periods of pessimism. Since human nature does not rapidly change and the action of individuals is affected by the psychology of the many, such changes will continue. They bring with them hardship and suffering, but they also provide their own remedy. Prosperity leads to overconfidence, speculation follows and reaches a peak, collapse results, deflation

takes place, available stocks on hand become exhausted, and slowly the wheels of manufacture and business begin to turn again and society resumes its way back to normalcy.

Present conditions in the United States have, however, some unusual features. They are very seriously affected by disturbances abroad, in part the immediate result of the World War. International trade is blocked by tariffs and by inability of customers to pay. The effect of this is severe in relation to the extent that any country is dependent on foreign trade. England is probably at the head of the list. The United States has suffered far less seriously, and in such countries as India and China the masses have hardly felt a ripple of economic disturbance from this cause.

The severe depression into which the United States has drifted must have other causes reaching down deeper than reduced foreign trade, which at best amounted to less than 10 per cent of the total. The domestic market is still with us, based on a high standard of living, enjoying unhampered trade movement between the States and having the advantage of a uniform money standard.

Previous depressions have also been severe. That of 1893 is within the memory of many of us. It came with the failure of banks first in England and then here. It entailed suffering and caused a Coxie army to march upon Washington demanding relief. The sharp crisis did not last over a year.

Our present depression may be said to have begun with the sudden collapse of the stock market two and one-half years ago. It was confidently expected that the deflation which promptly followed would set us going back on a course of recovery, and some recovery actually occurred, but it was followed by a far more serious collapse, and accompanied by the ever-growing appalling degree of unemployment. It is not at this time that lack of capital is responsible, against which much of the depression of 1893 was charged. There never was more gold in the country and the savings banks were never more replete with money than they are now. It is not lack of goods. On the contrary, there is a notorious surplus. We now witness abundance of every desirable thing in life, plenty of raw material and capital in the shape of farms and factories to maintain and increase this abundance, and all this alongside of dire poverty which touches a large part of the entire Nation.

It is estimated that at present nearly 8,500,000 persons are out of work. Unemployed may be seen anywhere one goes throughout this country. Recently I visited New York City and stumbled on a long bread line, said to be one of many to be found on Broadway. In Chicago I noted crowds of workmen trooping around employment offices. Last Monday at the city hall in Portland I saw long lines of unemployed who had received emergency work and were waiting for their pay. It is of the utmost interest to size up these men and guess their status in life, and I was struck by the apparent total absence of professional loafers and hoodlums. The men in line were clearly decent, self-respecting, and law-abiding citizens, orderly, well behaved, and even good natured. A great many appeared to be skilled laborers, and there were some white-collar men. When men of this type, able and willing to work, patiently shuffle along in long lines waiting to be fed or to be given emergency work, when scenes of this kind are multiplied a hundred thousand fold, when it is realized that a great proportion of them must have families, when we picture to ourselves the long hunt for work and the hopeless home-coming day after day, the poverty, the sickness, which promptly follows its wake, and the chances of the lowering of decent morals, then the thought is burnt into one's mind that these things should not be necessary.

Why should a large part of our population, consisting of capable and willing workers, be suffering from want and another large part be gripped with fear that it, too, will gradually move into the shadow of distress?

This question has been studied by many thinking men and by groups of men and has received, as might be expected, numberless answers. The causes have been found numerous and complex. The remedies proposed have been legion and cover a wide field, running from easier credits to unemployment insurance, from double money standard to disarmament, and from wasteful consumption to controlled production.

Much of my life has been spent in close contact with workmen on public works and in industry. I know and understand the laborer and appreciate his fine and generous qualities, his intelligence, and his adaptability. The problem before which we stand is thus unavoidably touched by the emotions and arouses deep sympathy; yet we realize that it must be viewed with a cool head if the causes are to be discovered and correct remedies are to be applied.

Contact with conditions outside the United States affords a perspective to the problem. Not long ago I visited western Europe, later Japan and coast cities of China, and recently Java and British India. It became evident to me that the higher industry was developed in any country the more intense was underemployment, and conversely the closer the bulk of the population was to the soil the less was the disturbance of economic conditions. While in England the necessity for an immense dole threatens to become chronic, the effect on the masses in China and India is infinitesimal and is practically felt only by a small upper crust of city traders and industrialists.

Much has been said, and said truly, of the bad condition of farmers, but it is only where farmers have become single-crop producers or in a sense industrialists that they have suffered as severe hardships as are now being visited upon labor out of work. Farmers as a whole may suffer deprivation, but the most essential needs are provided and they are not homeless and without work.

In a study of this subject there is one outstanding fact which may impress itself upon the student's mind as being the principal cause of our present plight—overproduction or its ally underconsumption. It is the evident result, persistently and inexorably gaining in strength, of our civilization having definitely entered upon the machine age. An early effect was noted during the first half of the nineteenth century with the introduction of railroads in England and the resistance offered by displaced stage drivers. There were labor dislocations then and later throughout the entire century, while centers of machine industry developed, means of transportation improved, and international trade was proceeding with relative freedom of obstructions; there was felt the beneficial effect of banishment of periodic shortages of foodstuffs and other necessities of life under the shadow of which humanity had existed for untold ages.

Serious dislocations of labor occurred, but there were many possibilities of realignment and emigration was as yet practically unrestricted.

Many economists have clung to the belief that the production can never exceed consumption to any great extent because of an ever rising standard of living. Such belief, however, is not borne out by the facts. The increase in production tends to proceed at a geometric ratio so long as raw materials are available. Each invention, making a step in advance with the object of cutting out labor, becomes the mother of several other inventions. Witness, for instance, the amazing development of automatic machinery, the growth in size of machine units, the constant replacement of labor by machinery.

Consumption likewise goes up, but it can not continue to increase at a corresponding rate because it is subject to serious inherent limitations which do not affect production. A man's consumption is restricted by his ability to pay and his power to enjoy. A rich man can afford to eat more than he can digest; he can buy more clothes than he can wear; own more houses, automobiles, and yachts than he can use, but he confines his consumption to what adds to his enjoyment, since more would become a nuisance.

It is therefore an unavoidable result of the introduction of machinery that there should have grown to be a spread between capacity to produce and ability to consume, a spread which is persistently widening until checked by lack of warehouse capacity or of money to be locked up in the manufacture of surplus goods.

When this argument was first advanced years ago the surplus had not grown to the proportions it has attained since. But even then the signs of overproduction were evident on all sides. It was only necessary as proof of this to note the extreme to which advertising was being carried. For many years newspapers and magazines have subsisted on advertising in an amount and of a costly type such as could only be explained by a desire to outdistance competitors and force goods on the market at all cost.

Another evidence of overproduction was the device of installment buying. This made it possible to keep the wheels of industry moving by the questionable method of mortgaging future earnings. It was sure to aggravate any future depression, should it occur, and yet was capable only of taking up some slack which in the nature of the case had a distinct limit.

Overproduction has likewise resulted in embroilments with other nations. The open door is the symbol not of humanitarian desire to help other nations by working and manufacturing goods for them but of the effort to find an outlet for surplus goods created at home. Most recent wars have had economic objects, and even the World War had overproduction of the industrial nations of Europe among its obscure causes.

With all the evils of overproduction in evidence, it is natural that it is being charged with being the main cause of our present plight, and it is upon this belief that most of the proposed remedies are based. Among these are maintaining and increasing consumption, controlling and reducing production, and adding to available credit facilities.

Many of these measures have great merit, and some of them may be necessary for emergency relief. Upon reflection, however, it would seem that the cause of our present distress lies deeper and that it is not overproduction as such that can be charged with responsibility for the distress and poverty suffered by a large part of our population.

Just because there exists a great and unnecessary abundance for all, dire need and shortage for many should not necessarily follow. It should be clear that the fault of poverty can not lie in abundance. The inevitable conclusion is that it must be found in the faulty division of this abundance.

Division of wealth produced is effected through the instrumentality of money payment for labor, raw materials and capital employed. The portion earned by labor is transmitted in the form of money wages. Whether this portion is a fair one as compared to that earned by capital and by supervising ability has been and will be the subject of constant dispute. This question is, however, not seriously involved for the present in the search for the prime cause of our economic trouble. This cause is only partially the proportion of earnings received by labor but is mainly its distribution among labor itself.

During times of overemployment, when the supply of labor is insufficient and every laborer can find work, the money wages are well spread out. Such times occurred during 1906 to 1908, when incoming immigration could hardly supply the insufficiency in the

labor market. Another period of overemployment occurred during the war when 4,000,000 men were withdrawn from productive industry and when the work of the remaining population went largely into the production of war material. This condition continued for a few years after the end of the war because of the necessity of catching up with deferred building operations and delayed maintenance.

At all other times there has been unemployment. Thus there has been available a labor reservoir of idle men upon which drafts could be and were being made by industry.

There are many industries of a seasonal type, such as lake navigation, salmon packing, and lumbering, which produce underemployment during part of the year and cause a rise and fall in the stage of the surplus labor reservoir. This carries with it no special hardship, as wages in seasonal occupations are generally high so as to partly cover enforced idleness.

About the year 1885 labor began agitating for a reduction of daily labor hours from 12 to 10, and within five years the attempt was fairly successful over the entire country. The claim of labor was based entirely on humanitarian principles. Its secondary effect, however, was a reduction in the surplus labor available, thereby keeping unemployment down. Abundance of public farming land and the general opening up of the West took its quota of labor surplus.

About 1905, labor unions had grown in strength and succeeded in bringing about the reduction of hours per day from 10 to 8. On both occasions there was a general feeling on the part of employers that these sudden changes would result in shortage of commodities and a rise of prices. No such things happened owing to the rapid introduction of machinery which completely overcame the anticipated effect of reduction of hours, so that in the end the steps enforced by labor even though advocated on different principles were decidedly beneficial in keeping unemployment from swelling to dangerous proportions.

Since 1905 the introduction of machinery has continued with ever-increasing impetus. More and more labor was set free, but the war came demanding heroic increase of production, and after the war for several years there was need, as previously stated, of catching up with deferred work.

Unemployment was not seriously felt until after 1923, since which time it has grown in intensity in spite of all methods used for stimulating consumption. It was greatly aggravated by the general employment of female labor during the war, which has become permanent and suddenly added heavily to the available labor supply.

If the fact is doubted that man power is constantly being replaced by machinery, it is but necessary to study any type of industry and any class of public work. There is constant effort to cut out labor by perfection and growth in size of the machine units, aided by the universal use of electric power. It is true that part of the labor set free is taken up by employment in machine-making industry and in transportation, but there is a large remaining residue which keeps on swelling the ranks of unemployed labor. This in spite of constantly rising living standards.

Forced unemployment is repulsive to the sense of justice and is now fully recognized as lowering the average standard of living and reducing consumption, thereby aggravating the original cause.

We may now return to the main question: Is unemployment the necessary corollary of the introduction of machinery? Clearly if it is we had better consider returning to earlier, simpler, hard-working times rather than witness the injustice of a large part of our population suffering and starving. Such, indeed, is the attitude of governing classes in colonial countries. In Java, for instance, 40,000,000 hard-working peasants live contentedly on a small island from which the introduction of farming machinery is rigidly excluded.

Lightening human labor is the object of the use of machinery, but this need not mean unemployment. There is a very plain and simple way at hand to benefit from the former and avoid the latter, a way which has nothing radically new or strange in it, and which, indeed, is being proposed by many economists and labor leaders. The only strange thing about it is that it is not being stressed with greater energy and persistence as the one essential measure without which all other proposed remedies are but palliatives.

This measure is a prompt adoption of shorter working days, weeks, or months according to the exigencies of various industries, and its essence is that it should be of nation-wide scope and include all industries. Such reduction of working hours, after the two steps taken in 1885 and 1905, has been long since overdue. The point about it which must be stressed is that it should not consist of merely voluntary group employment of a local type such as put humanitarian employers at a disadvantage in competition, nor should it be confined to State or regional lines, thereby seriously disturbing competitive conditions, but it must be national in scope, cover all industries and be thoroughly applied with the one object in view of absorbing idle labor.

It was noted with interest from press accounts some weeks ago that at the Chicago conference of railroad unions and company presidents labor proposed a 6-hour day. According to reports this proposal was turned down for reasons not then stated. The only result finally emerging from this conference was a 10 per cent reduction of wages.

The attitude of the presidents may well have been that reduction of working hours would be fatal to any industry if applied to it alone, and that for the good of all railroads should be kept from the deadly effect of falling in the hands of receivers. Yet the reply might also have been that a shorter working day would be favored by the roads, provided and as soon as a shorter working day could be simultaneously enforced on all industries alike throughout the Nation.

It is realized that such measure, if it is to be brought about, requires a thoroughly awakened public opinion as to its necessity, besides a sense of frank and fair cooperation between the mass of employees on the one side and the employers on the other.

The measure might take the form of the appointment by the President of the United States of a permanent economic council, on which labor, manufacturers, contractors, railroads, engineering trades, and the power industries should have representatives. It would be the first duty of such council to ascertain from time to time the degree of time reduction necessary to reasonably absorb unemployed labor and yet permit an ever-rising standard of living.

It should recommend the passage of national and State laws governing the length of the labor day in public employment, on public works, and in the manufacture of goods in interstate traffic. Such body might be depended on to oppose other and unnecessary interference by Government with business, but it might consider other matters touching labor such as labor agencies, pensions, insurance, and safety, and publish its findings for the information of the public. Its first consideration, however, should at all times be the practical avoidance of unemployment.

As to the effect on foreign trade, it may be important but it must be remembered that this country can proceed along its own course successfully in a manner that would be impossible for any one of the smaller industrial nations of Europe. This is because the United States constitutes a large political unit, has practically a sufficiency of raw material, and has free trade within its own borders. There is no reason why this country with its enormous domestic market can not work out its own salvation, if necessary, without reference to the rest of the world.

Upon reflection it must appear axiomatic that reduction of working hours is essential before any permanent progress toward recovery can be made, and it is probable that no long time for study is required to decide upon a reduction which can be safely recommended to go into effect immediately. The president of the American Federation of Labor, previously referred to, estimates upon apparently correct data that of 30,000,000 wage earners, 8,300,000 are now unemployed. This fact alone would justify a reduction of working hours from 44 to 35 or even less per week.

If a council composed of various representative classes of labor, of industry, and of capital should reach a reasonable degree of unanimity on any measure deemed desirable, the public would quickly place itself behind it, and the lawmakers, whether municipal, State, or Federal, would respond promptly to such universal demand.

When the very difficult question of wages comes to be considered, it will be essential that both employers and employees take a cooperative attitude and that the burden of the change shall be fairly divided between producers and consumers. In unavoidable disputes it is only necessary for both sides of the problem to consider what the future might hold in store if no prompt decision can be reached. Without a reduction in the hours of labor, the number of unemployed will inevitably tend to increase, the average standard of living will most certainly be lowered, and consumption will drop, an effect which will aggravate the original cause.

The mental attitude of the unemployed will ultimately be affected by hardships and suffering so that it may become a menace to our social structure. The soviets will call attention to the injustice of our capitalistic system condemning a large part of our population to poverty in the midst of affluence and point with pride to its own system, which, with all its enormous drawbacks, has at least the advantage of avoiding unwilling idleness.

On the other hand, assume that through overwhelming force of an awakened public opinion shorter working hours are enforced on all. An immediate demand for labor will be created which would at once completely change the present hopeless psychology. Thereafter actual unemployment and the fear of unemployment would gradually disappear and in the minds of millions confidence will be reestablished, stagnation will cease, trade will resume its normal activities, and a return to healthy conditions will be possible wherein unemployment will be replaced by greater leisure and the introduction of the age of machinery will prove a blessing instead of a curse.

D. C. HENNY.

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 would like now to return to page 273, section 723, stamp tax on transfer of stocks, and so forth. The first amendment is on page 274.

The VICE PRESIDENT. The amendment will be stated for the information of the Senate.

The CHIEF CLERK. On page 274, line 7, after the word "thereof," insert "of the certificates of such corporation or other organization (or of the shares where no certificates were issued)," so as to read:

SEC. 723. STAMP TAX ON TRANSFER OF STOCKS, ETC.

(a) Subdivision 3 of Schedule A of Title VIII of the revenue act of 1926 is amended to read as follows:

"3. Capital stock (and similar interests), sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to any of the shares or certificates mentioned or described in subdivision 2, or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation or other organization, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale (whether entitling the holder in any manney to the benefit of such share, certificate, interest, or rights, or not), on each $100 of par or face value or fraction thereof of the certificates of such corporation or other organization (or of the shares where no certificates were issued), 4 cents, and where such shares or certificates are without par or face value, the tax shall be 4 cents on the transfer or sale or agreement to sell on each share (corporate share, or investment trust or other organization share, as the case may be)."

Mr. DILL. Mr. President, I do not know just how much this particular amendment affects the question that I want to discuss here this morning relating to the amendment, in line 14, striking out that part of the House text which provides one-fourth of 1 per cent on the selling price of stocks on the stock exchange and the amendment striking out, on page 276, from line 10 to line 14, on page 277. Has the pending amendment any relation to those amendments?

Mr. SMOOT. No.

The VICE PRESIDENT. The question is on agreeing to the first amendment of the committee on page 274.

The amendment was agreed to.

The next amendment of the Committee on Finance was, on page 274, line 14, after the word "that," to strike out down to and including the word "that" in line 17, as follows:

In no case shall the tax imposed by this subdivision be less than one-fourth of 1 per cent of the selling price, if any, of such shares, certificates, or rights: *Provided further*, That.

Mr. DILL. Mr. President, I would like to know why the committee struck out that provision.

Mr. SMOOT. I can state it in a very few words, as it was stated in the report that it is believed this is a burdensome rate and that the provision would cause administrative difficulties. Further than that, on all purchases of stock outside of the city of New York it would impose an additional tax. The committee, I think, was unanimous in striking that provision from the bill.

Mr. DILL. Mr. President, the argument that the tax would be burdensome is not a very impressive argument so far as I am concerned. Since the committee acted on this provision there have been some developments in the investigation of the stock exchange which it seems to me justify reconsideration even by the committee.

The New York Stock Exchange in particular and the stock exchanges of the various cities of the country in general have become more or less gambling institutions wherein a few men manipulate the market in such a manner as to make tremendous profits thereby and take from the American people not thousands or hundreds of thousands but millions and even hundreds of millions and, I think it is safe to say, billions of dollars. This small tax of one-fourth of 1 per cent is just double the ordinary commission that is paid on every stock-exchange deal to the broker. In a time when we are striving to balance the Budget, in a time when we are laying taxes upon industry and business that are legitimate and which are engaged in struggling to keep themselves out of bankruptcy, the committee strikes out a tax upon these gambling institutions.

I said a moment ago they are considered gambling institutions. The scratching of the surface thus far by the Committee on Banking and Currency investigation of the stock exchange shows they are not only gambling institutions but that the market in New York is a gambling institution in which the insiders use marked cards and loaded dice. The stories that have come out already are sufficient to shock every man and woman who has any sense of decency in business relationships. Take the story of Walter Sachs, president of the Goldman-Sachs Co., who testified that he paid $23,000,000 for a company that was worth only $1,700,000, and just previously to that issued $100,000,000 worth of stock and sold it on the market at $104 a share, and to-day the stock is worth $1.75 a share, bilking the people out of $90,000,000.

Oh, but it may be said the people run their own risk when they buy these stocks. I said a moment ago that the cards were marked and the dice were loaded. What did I mean? The mere cursory investigation so far conducted shows that when the promoters of the selling of stocks at high prices indulge in this business, they place on their pay roll publicity men who become propagandists to boost in the public mind the value of the stocks. Then when the profits of the pool are collected, these men are found to be on the pay roll and they get their share of the profits.

I have read the testimony of the representatives of the stock exchange and the brokers before the Senate Committee. They argued that this tax would not produce $75,000,000 a year, as the House believed it would. They said it would bring only $32,000,000 a year. Well, whether it brings $75,000,000, whether it brings $30,000,000, whether it brings only $20,000,000, I maintain that this is one place where the Government should levy a tax for the purpose of raising revenue and for the purpose of acting as a deterrent upon this gambling institution that has grown to such proportions that to-day there are millions of people who believe the prosperity of the country depends upon whether stocks go up or down in New York. The fact of the matter is that there is much reason to believe that the break in prosperity came as a result of this unconscionable boosting and building of the stock market by such methods as I have spoken of here as employed by Mr. Sachs.

Take the case of Warner Bros., one of whom sold stock of his own company for $16,000,000, under a system of boosting values, when he himself had inside information as to dividends to be paid, and then bought his own stock back for $7,000,000, making a clear profit of $9,000,000 out of the public.

Senators, it seems to me indefensible that in the case of such an institution we should consent to take off a tax that would raise the legitimate revenue and at the same time be a deterrent to operations resulting in the wild boosting of watered stocks and propaganda by which the prices of ordinary stocks are advanced to heights that are unconscionable and unbelievable.

I know the committee defends itself because the House raised the rate of the tax on the transfer of stocks from 2 cents to 4 cents, and I know it was claimed that probably that would raise almost as much money; but let me call attention to the difference between these two kinds of taxes. A tax upon the share of stock when it is transferred is the same, whether, for instance, Radio Corporation stock is boosted to 109, as it was by the pool that cleaned up $5,000,000 for a few insiders, or whether it is less than $3 a share as it was yesterday on the stock exchange. The same tax per share is still paid. If the House provision remained in the bill, then the rate of tax would be the same, but the amount coming into the Treasury and the amount paid by the gamblers in these various stocks would be larger as the stocks mounted in price. So it seems to me that the House method of taxing stocks, even if it brought no more money, is far more desirable, because it is based upon the amount of business done and not upon the mere transfer of stock.

Then, I am impressed with another thing; that the 4-cent tax now proposed does not apply if stock is loaned to brokers. What does that mean? It means that it will not apply to short selling. Even from the White House we had a tax suggested upon short selling; even from the White House we have been told that the stock market should be curbed as to its short selling; and yet the tax proposed by the Senate committee will not reach the loaning of shares to be used in short selling.

I do not want to take much of the time of the Senate, but I did want to direct attention to the fact that in these days of desperation—and I use the word advisedly—desperation

of our people, desperation almost of the Representatives and Senators to find legitimate sources to raise revenue to balance the Budget, we should not abandon the proposal to tax this institution which has become a parasite, aye, a parasite so big that it has swallowed up the legitimate business of this country, and load it merely upon a transfer of stocks to the extent of 2 cents increase.

Mr. WHEELER. Mr. President——

Mr. DILL. I yield to the Senator from Montana.

Mr. WHEELER. I want to call the Senator's attention to the fact that when the House placed that tax upon stock sales, and the stock market went down, there was a hue and cry all over the United States to the effect that it was because of the fact that this tax was placed upon such sales. The Senate committee reported an amendment to take that tax off the sale of stocks, and ever since the tax was taken off the stock market has been going down.

Mr. DILL. I thank the Senator for the suggestion. The fact of the matter is that practically every few days we read in the newspapers that "the leaders of the stock market yesterday struck new lows." The President told us when he proposed the moratorium that it was going to bring back prosperity; stocks rose; many people thought that prosperity had started to come back, and then stocks broke to lower levels than they had ever been.

Then we had before us the Reconstruction Finance Corporation bill, and we were told if we enacted that measure that everything would be fine; stocks began to rise again, and in a few days they dropped to new "low." Every time we do anything here in Congress to which the administration is opposed and stocks go down, we are told that is because we did not follow the President's leadership or did not do what they wanted done in New York. Then, when we do the things that the President may advocate or those in New York may advocate, stocks rise a few cents a share, and we are told that prosperity is coming back, only to find in a few days that stocks have gone even lower.

The fact of the matter is that it would be a fine thing if the Congress would pass a law to close every stock exchange in the United States during the present period of this emergency. In any case, there should be a tax levied upon the sales of stocks all over the country, first, in order to raise revenue, and, second, in order to act as a deterrent upon the practice of using the columns of the great newspapers for publicity and propaganda to build up in the public mind values until millions and millions of our people put their hard-earned savings into them and then find they own stock certificates that are not worth the paper upon which they are written, and that they are without any protection for the future because of the worthless investments they have made.

Mr. TRAMMELL. Mr. President, will the Senator yield?

Mr. DILL. I yield to the Senator from Florida.

Mr. TRAMMELL. Does not the bill provide for a tax on short sales?

Mr. DILL. I do not know where it does; I can not find it.

Mr. TRAMMELL. All character of short sales should be taxed. This bill does not provide for that?

Mr. DILL. The Senate committee amendment provides that when shares are loaned, not transferred on the books, the transfer tax shall not apply; and that is the most common way, as we have learned from the investigation, of carrying on short sales.

Mr. TRAMMELL. It is one of the greatest gambling devices employed on the stock exchange.

Mr. DILL. Of course it is.

Mr. TRAMMELL. Take as an illustration what happened on the stock exchange yesterday. I suppose the Senator noticed that the General Electric Co. made a considerable reduction in its dividend. General Electric stock went off about $3 a share on yesterday; Westinghouse also went off, and it affected the entire stock market. I do not know the facts, but I will guarantee that 90 per cent of the stock sales yesterday were short sales on the stock exchange, running prices down all the way from one to three dollars a share.

Mr. DILL. If we are to have any tax on stocks, the tax ought to apply to all such sales, and they ought not to be exempted by some device whereby if the stocks are loaned to somebody, the tax shall not apply as provided in the Senate committee amendment.

Mr. BLAINE. Mr. President——

Mr. DILL. I yield to the Senator from Wisconsin.

Mr. BLAINE. In reference to the suggestion of the Senator from Florida as to short sales, the amendment proposed by the Senate committee eliminates practically a large portion of the tax on short sales, for the reason that the stock exchange does not characterize as sales stocks that are loaned but on which there has been a transaction during the day, so that the proposed amendment practically permits all those short sales for tax purposes to go scot-free of any tax whatever.

Mr. DILL. That was one of the complaints I was making.

Mr. SMOOT. The Senator from Wisconsin is mistaken in that.

Mr. DILL. I did not hear what the Senator from Utah said.

Mr. SMOOT. I said the Senator from Wisconsin is mistaken in the statement he made in relation to short sales.

Mr. DILL. The amendment does provide that the tax shall not apply when stocks are loaned.

Mr. SMOOT. That is true.

Mr. DILL. That is the commonest method employed to consummate short sales.

Mr. SMOOT. Oh, no; in connection with the selling of stocks any kind of security may be put up; it is not necessary to have the certificate of the stock which is dealt in.

Mr. DILL. I think if stocks are loaned and used for the purposes of short selling, they ought to be taxed.

Mr. REED. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. REED. There is just this difference between borrowing and selling. If one makes a short sale, he has to find the stock to complete his contract. He borrows that stock and delivers it to the person to whom he has made the short sale. That sale carries a tax; it is only the borrowing that does not.

Mr. DILL. But under the committee amendment such a sale carrier no tax.

Mr. REED. I beg the Senator's pardon.

Mr. DILL. I do not see where it does.

Mr. REED. Certainly it carries the 4-cent tax, just like any other sale.

Mr. DILL. The amendment exempts loans of stock.

Mr. REED. It provides that there shall be no tax on the borrowing of stock, but when the stock is delivered to the purchaser in a short-sale transaction it has got to pay the tax just the same.

If the Senator will indulge me a moment further——

Mr. DILL. Yes.

Mr. REED. A very large proportion of the so-called short sales which this amendment takes care of are made under these circumstances: A constituent of the Senator in the State of Washington wants to sell stock on the New York Stock Exchange, the order is telegraphed to New York and executed. Under the rules of the New York exchange that stock must be delivered by a quarter past 2 on the following afternoon. Obviously, it is impossible to get a certificate from the State of Washington to New York City in time to make that delivery. The broker in New York, just as a matter of routine, borrows the stock in New York, delivers it on account of the contract, and then by and by the stock comes in from the State of Washington; the loan is repaid and the transaction is closed in that way. If we should put a tax on the lending as well as on the selling of stock, every person in the State of Washington who wanted to sell stock in a bona fide outright sale in order to raise money would have to pay a double tax on it. That would be wrong.

Mr. DILL. There would not be any double tax if the tax were on the selling price and did not apply to the stock. The Senator is talking about both a selling-price tax and a stock tax.

Mr. REED. How can we tax a loan on its selling price? There is not any selling price to a loan.

Mr. DILL. I do not approve of the committee amendment. I say the only proper way to levy this tax is upon the selling price of the stocks.

Mr. REED. If the Senator will indulge me one moment further, these taxes are collected through the transfer agent. The transfer agent will not make a transfer on the company's books until the proper stamp tax has been affixed. Suppose, for example, that the transfer agent finds that a certificate coming in to-day has an assignment dated perhaps six months ago. Such certificates, particularly those of stocks not paying dividends, may have been peddled around on the street for months; they are carried in the name of some street broker; they may have changed hands fifty times. How in the world is the transfer agent going to know what the price was? Such a tax could not be enforced.

Mr. DILL. It might result in breaking down the centralization of all stock deals in the great city of New York; and if it did that, it would be a God's blessing to the American people.

Mr. REED. Of course, if the Senator is going to reform the world by means of this tax, I can not meet him on that ground.

Mr. DILL. I am not going to reform the world; but I am not going to be turned aside from what I think to be a just proposal because of a system that has been worked up in this country that is a curse to the country, a curse to business, and a curse to the economic world. The fact that the Senator can dig up some transactions that would have to be stopped is no reason why we ought to avoid putting a tax upon the selling price of these stocks.

Mr. REED. It certainly is an argument against it if it is completely ineffective and unenforceable, and that is what the Finance Committee decided. We are just as pronounced in our view in the Finance Committee about this Goldman-Sachs transaction as the Senator is. Nobody is defending that.

Mr. DILL. Then why did not the Finance Committee provide for a sliding scale of tax upon the value of the stock when it was sold, instead of a flat rate of 4 cents per share, whether the stock was sold at $3, as it was yesterday in the case of the Radio Corporation, or whether it sold at $109, as it did when the pool was boosting it, and made $5,000,000?

Mr. REED. How is the Government's tax agent, or the company's transfer agent, or anybody else to know at what price the stock actually was sold? If we base our tax on the par value, as we have been doing for many years, everybody is able to calculate the amount of tax.

Mr. DILL. Let me ask the Senator a question. What is there mysterious about selling 100 shares of, we will say, United States Steel at 28 yesterday on the stock market? Nobody will have any trouble in finding out the value of that stock.

Mr. REED. Of course, they will not if the assignment comes in dated the day before it is presented for transfer.

Mr. DILL. Whether the assignment comes in or not, when the stock is delivered, it is delivered at 28. What difficulty is there about a Government agent collecting a tax of one-fourth of 1 per cent on that $28 a share?

Mr. REED. The stock may not be presented for transfer for another six months. How is anybody to know?

Mr. DILL. Then the sale will not be made.

Mr. REED. Of course not.

Mr. DILL. The Senator wants to continue the policy of selling futures.

Mr. REED. No; I do not.

Mr. DILL. I may be very dumb; but if stock is sold on the stock exchange at $28 a share, I can not understand how there is any difficulty on the part of the Government agent in charging one-fourth of 1 per cent tax on it. I know the stockbroker does not have any trouble in getting one-eighth of 1 per cent commission.

Mr. REED. Yes; but, if the Senator will just understand, a stock certificate assigned in blank becomes perfectly negotiable, like a dollar bill. If the stock is not paying dividends, there is no particular advantage in making the transfer into the purchaser's name. Consequently, that stock certificate, just like a dollar bill, may change hands a hundred times.

Mr. DILL. Then the Senator wants to encourage a policy of selling stocks that are never transferred. He wants to allow them to deal on margins as they deal in futures in wheat on the Chicago Board of Trade, selling millions and millions of bushels of wheat that are never there.

Mr. REED. No, Mr. President. I give up.

Mr. DILL. That is the argument the Senator is making. I do not want, as I say, to delay the Senate.

Mr. ROBINSON of Arkansas. Mr. President, I should like to ask the Senator a question concerning his opinion of this amendment.

Mr. DILL. I yield to the Senator from Arkansas.

Mr. ROBINSON of Arkansas. It will be recalled that when the provision imposing a tax on the selling price was incorporated in the House, many messages were sent contending that the rate was so high that it would result in a prevention of transactions that are wholesome and essential. Perhaps my office received as many messages on this subject as on any other that has been brought forward in this tax bill. The contention was made that the tax was so high, especially when considered in connection with other similar taxes that are being imposed, some by State authority—for example, the tax that is imposed by the State of New York on transfers of shares—that the provision would embarrass commerce, embarrass trade in stocks.

Has the Senator gone into that question with care, and what is his view regarding it?

Mr. DILL. Of course I do not know the nature of the particular protests that the Senator from Arkansas has in mind; but it may be that they are the same kind of protests that came to me, particularly from the mining people of the Northwest, and in fact from the mining people of the country, who claimed that as the House provision as a whole was worded there would be a tax of so much upon each share traded upon the market, when they were only selling for a few cents, and that this tax would make it impossible to deal in those shares. That can be very easily remedied by providing that no tax shall exceed one-fourth of 1 per cent of the total selling price.

Mr. ROBINSON of Arkansas. That is the provision in the bill.

Mr. DILL. That was in the bill, but it has been struck out. That part of it, I think, should be in the bill; but the whole point is this:

The brokers to-day charge 12½ cents for every $100 worth of stock that is sold on the stock exchange. If the Senator buys, or I buy, or anybody buys or sells on the stock exchange, he pays 12½ cents on every $100 of his selling price or purchase price.

Mr. ROBINSON of Arkansas. What is that accountable to?

Mr. DILL. To the broker who handles it.

Mr. ROBINSON of Arkansas. That is the commission?

Mr. DILL. That is the commission. This tax would be just twice that, or 25 cents for every $100. The members of the stock exchange who appeared before the Senate committee and were interviewed in the newspapers said that it would close the stock exchange, or that practically no business would be done. Well, perhaps it would. I do not think it would; but if it did deter a lot of this speculation it would be a God's blessing to the country.

I can not believe and I do not believe there is any ground for the assertion that if we impose a tax double that of the broker's commission we are going to destroy the business. I do not see where the justification for it is. Nobody finds himself seriously handicapped in paying one-eighth of 1 per cent, or 12½ cents, commission on a $100 sale. Why would it destroy the business and close all stock exchanges if we took 25 cents as a tax?

Mr. SMOOT. Mr. President, will the Senator yield?

Mr. DILL. I yield to the Senator from Utah.

Mr. SMOOT. I call the Senator's attention to the wording:

That in no case shall the tax imposed by this subdivision be less than one-fourth of 1 per cent of the selling price.

Mr. ROBINSON of Arkansas. Yes; that is a minimum rather than a maximum.

Mr. SMOOT. In other words, if the stock was selling for 4 cents a share or less it would take it all, and it would be absolutely impossible to transfer that stock.

Mr. DILL. It should be changed to "not more than one-fourth of 1 per cent," and that would very easily remedy it.

The whole point is that because the House in writing its language did not happen to cover these stocks that are sold for 4, 6, and 8 cents a share—the mining stocks, particularly, in many parts of the country—that is used as an excuse for destroying this tax. I maintain that that can be very easily amended and improved; and I shall offer an amendment that I think will meet that situation and in no way seriously interfere with the regular business of the stock exchange.

Mr. FLETCHER. Mr. President——

Mr. DILL. I yield to the Senator from Florida.

Mr. FLETCHER. The Senator made reference to the par value of stocks. I want to suggest to him that, according to the testimony before the Banking and Currency Committee, the greater portion of the stocks dealt in has no par value. They are stocks without par value—what are known as no-par-value stocks.

Mr. ROBINSON of Arkansas. May I also remark, with the permission of the Senator from Washington, that to impose a tax on par value seems to me economically unsound, because the less the taxpayer has the more he may be required to pay, relatively.

Mr. DILL. Yes; I think nobody intends to do that. To impose a tax upon the selling price, however, so that as speculation increased, as the boosting of stocks increased, the tax coming into the Treasury would increase, would act as a deterrent; and as the stocks went down, as the selling price went down, the tax coming into the Treasury would go down also.

I do not care to take any more of the time of the Senate.

Mr. HAWES. Mr. President, I ask unanimous consent that the editorial from the Baltimore Sun, which I send to the desk, may be read by the clerk.

The PRESIDING OFFICER (Mr. NORRIS in the chair). Without objection, the editorial will be read.

The Chief Clerk read as follows:

[From the Baltimore Sun of Saturday, May 28, 1932]

OUT WITH THE TRUTH!

Since the autumn of 1929, when the new economic era came crashing down around our heads, there has been one dominant idea in Washington. It is that the American people must not be told the whole truth. They may be too stupid to understand the truth. They may be too cowardly to endure the truth. They may punish any who stand boldly for the remedies that the truth dictates. Such have been the thoughts that have colored all thinking in high places.

It is more than a coincidence that this avoidance of utterly frank statement of facts has been paralleled by a downward movement in the economic life of the Nation, which has now reached a point that spreads terror among the authorities. Cause and effect are at work. The country is in a trough far deeper than could have been compelled by any or all of the grave mistakes in policy that preceded the collapse of 1929. Added to the consequence of all these mistakes in policy is what is commonly called the loss of confidence. It would be truer and more accurate to say there has been a loss of faith.

This loss of faith proceeds in large part directly from the consistent administration policy of understatement of the Nation's financial problems, from the therefore inevitable emergence of financial perils far exceeding those that had been expected, and from the corollary of increasing skepticism about the integrity of the national credit.

The time has come to make an end to that policy of shrinking evasion. The time has come to assume that the American people are not dolts or cowards, to inform them fully and honestly of the state of national finances, and to advise them of the burdens in taxation that must be shouldered if the national credit is to be protected.

It is plain that the administration and the leaders of both parties in Congress are gambling on a balance of the National Budget. It is plain that, even while they declare with all emphasis that the balancing of the Budget is the absolute condition of national solvency and of a revival of industry and trade, they are taking wide and dangerous chances that the pending tax bill will not effect a true or even a substantial balance. They are taking a chance that assertion that the Budget is balanced will be accepted as fact that the Budget is balanced.

One can understand some of the excuses. When estimates were presented and accepted last December there was hope of a revival. When, far from reviving, trade moved steadily downward and new estimates were offered in February, they also were made in the hope that a revival would soon appear, and they were accepted in that spirit. It was possible for the authorities to offer themselves the additional justification that the act of laying new taxes in large amounts and of effecting economies in large amounts would stimulate the revival. Nevertheless, in December and later in February, as in all previous statements on national finance, chances were taken on the optimistic side.

Now the time has come when it must be realized that these chances have not been made good, that even during the time the Congress has been struggling over taxes the further decline in business has been so swift and so heavy that millions more of new taxes must be levied to yield the return which will assure the balanced Budget that all proclaim to be imperative.

Stop the nonsense! It has gone on long enough. Tell the American people the full measure of the need for new taxation. Ask them to bear it. They will. The American people have sense enough, if the gentlemen at Washington will only stop to realize it, to understand the necessity of sound finance—sound in fact, not merely in name—and to bear whatever burdens sound finance may require.

What this means, in plain terms, is a general manufacturers' sales tax. It is not a question any longer whether it is a good tax or a bad. It is now an absolutely necessary tax. There is not a man in Washington, possessed of information about the state of business and the state of the National Treasury, who does not know quite well that it is impossible to get enough revenues without resort to this tax, and probably to a sales tax on beer in addition. Why not tell the truth, and why not act on the truth?

In particular, why not a plain statement of the facts from President Hoover? He knows what the state of business is. He knows what the state of the National Treasury is. He knows that the day is here when only a manufacturers' sales tax will balance the Budget. And yet, though he leads all others in insistence upon the necessity of a balanced Budget, not one explicit word has he ever uttered in behalf of the tax that will accomplish a balanced Budget. The hour has stuck when the Chief Magistrate of the American people must talk facts to the American people.

Mr. HARRISON. Mr. President, I do not know what was the object in having that article read, unless it was to bring to the attention of the Senate as a fact that the sales tax is all important.

We need not fool ourselves, and the country need not be fooled, as to the true situation here in the Senate. There are some of us who have laid our breasts bare to every target in order to help make receipts and expenditures balance. In the Committee on Finance and on the floor we voted for this and that tax, which met the approval of the Treasury Department, may I say, although in many cases we knew that doing so was unpopular. But we had read the press of the country, we had listened to those in high places in the administration, we had analyzed government receipts and disbursements, and we appreciated that it was necessary to preserve the credit of the country. So we went through with it.

We have done it unflinchingly and courageously. Some of us have voted for these taxes when others have faltered and floundered and deserted. I have no fault to find with those who want this or that plan with reference to balancing the Budget; but what is the situation that confronts the country to-day?

We have proceeded for some weeks in the Committee on Finance, and many days and nights in the Senate, voting on this item and that item, and we have reached almost the end of the road. There are very few other items to be considered. We have finally overcome every obstacle. We have almost balanced the Budget, according to the recommendations of the Treasury Department. When we shall have finished the consideration of these few remaining items, we will have balanced the Budget within $40,000,000 of the amount the Treasury said was required.

I am not going to argue the point whether or not the Treasury was mistaken in its estimates. I have always believed from the beginning that as to some of the sources of revenue recommended we were going to fall short of receiving the amount the Treasury estimated we would receive, and that on others they have underestimated the receipts. For instance, I thought they had overestimated the receipts from income and surtaxes and corporation taxes, because,

as the Secretary of the Treasury and the Assistant Secretary said when they appeared before the committee, their estimates were based on an expected 20 per cent improvement in business for this year, and we have not seen the improvement.

Be that as it may, the Treasury made its recommendations. It specified what particular things should be taxed in order that the Budget might be balanced, and we accepted those recommendations; and, over many obstacles, we have finally emerged to the present point in the consideration of the measure and have almost completed a bill that will balance the Budget.

We need about $40,000,000 more, or $70,000,000 more, according to the estimates of the Treasury Department, in order to balance the Budget; and, so far as I am concerned, when we shall have finished the consideration of the bill I am perfectly willing to accept sufficient increases in income or normal taxes, according to the plan suggested by the Senator from Texas [Mr. CONNALLY], in order to balance the Budget, and I think there are enough of us who are willing to join hands to put that through. So there is no question but that the Budget is going to be balanced if we will proceed along the orderly lines mapped out by the committee, suggested by the Treasury Department.

What has happened? After we have voted in this item and that item, and finished our labors, we read in the papers now that the President has called to the White House the leading newspaper owners of the country, and that, in a long conference there, there was discussed the general sales tax, which has been before the country from the time the bill was first introduced or suggested by the President. Indeed, we hear many rumors as to what happened in that conference.

The President has not come out for a general sales tax, but I hear it intimated and rumored here and there by Senators that they are against a general sales tax, but that if the President should come out in favor of it they would be for it.

The Treasury Department has been against a sales tax. The Assistant Secretary of the Treasury, when he appeared before the committee, indicated that he was against it, and in his utterances the Secretary of the Treasury has been against it. Of course, he finally said, "If that is the best way to balance the Budget, and Congress will accept it, very well; I will accept it to balance the Budget, because that is the one essential."

We see now, however, that every effort, every influence, is being employed to try to browbeat the Senate into undoing the work it has done and to accept the general sales tax. The movement for a sales tax has been at work for weeks. Those who are its proponents knew they were defeated. They never dreamed in the committee that they could muster enough votes to recommend it to this body. They put it off as long as they could, although some of us were pleading with them from the beginning to put it to a vote in the committee in order that we might settle it. Upon the floor of the Senate we have appealed to those who have favored a general sales tax to put it before the Senate and let Senators vote on it. Have they done that? No; but they go out into the anteroom, they get some of the press boys around them, and they say, "We have the votes." They know they have not the votes. They know they have not had the votes. They know that there has not been a moment since the time when we started the consideration of the bill when they have had the votes.

Certain press representatives, certain big papers in this country, have favored a general sales tax; they have tried to exploit it; they have propagandized the country; and they have made people believe that there was a tremendous force here for the general sales tax, and that it was going to be adopted.

If they have the votes, I challenge them now to take a vote this minute, without any more discussion of the proposition. They have not the votes, and they know they have not.

I was surprised to read this morning that the distinguished chairman of the Committee on Finance, whom I respect, and with whom I have labored and cooperated in this tax fight, was yesterday at the White House, and in leaving it said, "The general sales tax is growing and growing and growing."

Mr. SMOOT. Mr. President——

Mr. HARRISON. When yesterday I suggested to the leader on the other side of the aisle that we try to hasten the consideration of the pending bill and get it out of the way to-day, he said, "Oh, no; we must wait until Monday."

We must wait until Memorial Day, because the greatest service and the most patriotic thing we could do would be to work on this proposition Monday. In my opinion, the worst thing the Senate could do would be to adopt a general sales tax on Memorial Day, when the stores are closed and the church bells are ringing, and people are taking the day off to decorate the graves of their loved ones who have passed away.

Why the proponents of the sales tax want to put off a vote is because they think they can browbeat the Senate in some way and can get enough votes to pass the sales-tax amendment. They know they have not the votes to-day. They think they might have them Monday, and if they do not have them then, they will want to put it off until Tuesday.

Let the country know that we are ready for a vote. I say to the boys in the press gallery to send out the word, no matter whom you represent, that we are ready for the vote, and that if there is any delay in passing this bill it will be through the efforts of those who have been crying out heretofore to pass the bill and balance the Budget, and that everything would be well if we would do that. They are the ones who are delaying it, if there is any further delay.

Now I yield to my friend the Senator from Utah [Mr. SMOOT].

Mr. SMOOT. Mr. President, I want to say to the Senator that there is not a single, solitary word of truth in the article in the morning paper, so far as it represents me as saying anything about the sales tax.

Mr. HARRISON. I am glad to hear that.

Mr. SMOOT. I visited the President yesterday. I did not mention the sales tax; never mentioned it. I am perfectly willing to say what I went to the White House about. I went there on the question of silver, and not another subject was mentioned during the conference I had with the President.

Mr. HARRISON. Mr. President, of course I believe absolutely what the Senator says. That shows the extent to which the press is going in carrying out this propaganda, which was hatched the other night, even saying that the distinguished chairman of the Committee on Finance, who has worked overtime, and who has voted time after time for the taxes which have been suggested, as many of us here have, had gone to the White House and was helping in this propaganda.

Let Senators and the press and the business people and others who may want the general sales tax mark this, that if they really want to balance the Budget, and think the sales tax will help, let us have a vote on the sales tax now. But the proponents of the sales tax are not going to agree to that. Stop this propagandizing; stop this delaying. But they are not going to allow a vote on the sales tax, because it is inconceivable to me that they want to have a general sales tax. Why, the Senate unanimously voted out the tax on toilet articles, but now it is said that they want to put back the tax on tooth paste. The tax was taken off mouth wash, but now they say they want to put it back on that. It was taken off soap, but now they want to put it back on that. Under a general sales tax, from the time one is born until he finally passes away and is carried in his coffin to the graveyard everything he uses, except the things he eats and the clothes he wears, is taxed.

Just as an illustration, when you get out of your bed and go into your bathroom you wash your face in a bowl that is to be taxed, you use soap that is to be taxed, you use a toothbrush that is to be taxed, the tooth paste you use is to be taxed, your shaving cream will be taxed, the shaving brush will be taxed, the comb you use and the brush you use

will be taxed. When you go to your office you will find everything in your office taxed. When you go to eat your breakfast, everything except the food will be taxed, from the old skillet to the stove, and the pans, and the spoons, dishes, and the cups. Everything will be taxed. Not to carry the picture further, from the time you are born until you are laid away in your coffin everything will be taxed, and even the coffin itself will be taxed.

It is inconceivable to me that in this democratic country, where we have said that the taxes should be heaviest upon those things which are luxuries, and which the people do not have to have, that some should want to tax everything, irrespective of whether the poor man needs it or the rich fellow wants it. I am not willing to do that. Whenever you put your tax on here, Mr. Business Man in New York who is using his telephone to put over the general sales tax, Mr. Automobile and Mr. Rubber interests, Mr. Jeweler, and others, remember when you do that, if you want business revived, you are not helping in the movement because you are but delaying the balancing of the Budget. You are confusing the issue.

There are men here by the score who will not vote for the bill on final passage with a general sales tax in it. Whenever you put into this bill such a provision, and it goes to the House containing such a provision, there will be created a situation thereby that will be impossible to overcome. The House once by 70 and later by 75 votes has repudiated the idea. I went over there only yesterday and I talked with everyone I could find on the Democratic side, and not one but told me he did not know of a single man on the Democratic side who has changed his opinion regarding the sales tax.

We have practically balanced the Budget and are through with our labors. Why continue to confuse the issue and mislead the people on the issue?

Mr. WHEELER. Mr. President——

The PRESIDING OFFICER (Mr. FESS in the chair). Does the Senator from Mississippi yield to the Senator from Montana?

Mr. HARRISON. I yield.

Mr. WHEELER. In the light of what the Senator has said, I want to call his attention to a statement in this morning's Herald, as follows:

> President Hoover stands foursquare behind the general manufacturers' sales tax as the best method of balancing the Federal Budget, Senator SIMEON D. FESS, of Ohio, declared last night.
>
> The Ohioan made this announcement after an extended White House conference to discuss the general legislative situation and also the approaching presidential campaign.

I think it might be well to find out whether or not the statement attributed to the present occupant of the chair is also false and whether or not the President is in favor of the sales tax.

Mr. ROBINSON of Arkansas. Mr. President, it would be interesting also to know why this statement or announcement from the Senator from Ohio has been deferred, why the announcement was not made in the beginning of the consideration of the bill. Undoubtedly such a course would have resulted in the passage of the bill much earlier than it could be passed if a sales tax were now incorporated and the bill sent back to the House of Representatives containing such a provision. I would like to hear some one who has been propagandizing the country in favor of the prompt balancing of the Budget by the passage of the revenue bill answer the question how long he thinks it will be before the bill will be finally passed if a general sales tax is now incorporated in the bill.

We have heard it whispered about and some statements have been made in the press that there has been a reversal of attitude on the part of the House of Representatives touching this very important question. No doubt those who have made that statement are sincere in the belief that a change has occurred. But upon investigation it is found that there has been no material change. Those who are desirous of having a prompt balancing of the Budget can never explain or excuse their conduct in failing to bring forward the general sales-tax issue when the bill was first brought into the Senate. They can never explain or justify waiting week after week until the physical resources of Members of the Senate have been almost exhausted in the consideration of the bill, and then precipitating an issue which will defer the final passage of the bill for 30 or 60 days.

Let us understand why secret propaganda has been promoted. Is it true that the President, after the Congress has been in session for six months, has announced or prompted the announcement of a policy touching the taxation question which is at variance with the policy advanced by the Treasury Department? If that be true, let us have the explanation of it now and let the country understand that instead of causing a prompt balancing of the Budget, it will result in further confusion and delay. It will prolong the debate over the tax bill for at least 30 days.

Mr. HARRISON. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Arkansas yield to the Senator from Mississippi?

Mr. ROBINSON of Arkansas. Certainly.

Mr. HARRISON. I hope and I expect that the Senator from Ohio [Mr. FESS] is going to deny the statement. I hope that is true, because it may be some of the same propaganda. I had believed and I had hoped that the President would stand aloof and let the Congress enact its Budget legislation as it thought wise. I know that the Secretary of the Treasury, who came before the Finance Committee at least three times and was pleaded with to make suggestions, never at any time made a recommendation for a general sales tax. He made the suggestion of excise taxes upon a special basis and laid it down in black and white before the committee. He has never suggested a general sales tax.

Mr. FESS. Mr. President, will the Senator yield?

Mr. HARRISON. I yield the floor.

Mr. FESS. Mr. President, the article in the Washington Herald of this morning was called to my attention over the telephone by several persons asking me whether it was authentic. I had not seen the Herald until after the Senate convened at 10 o'clock this morning. I had seen the Washington Post. There is not anything stated in the Post that is not true. The facts are, that I called for a conference with the President last night.

Mr. HARRISON. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Ohio yield to the Senator from Mississippi?

Mr. FESS. I yield.

Mr. HARRISON. The Post did not quote the Senator as the Herald quotes him.

Mr. FESS. The Post refers to me as having been at the White House and refers to matters that were discussed, but nothing of the sort as stated in the Herald.

Mr. HARRISON. I see.

Mr. FESS. I asked for a conference at the White House over the preliminaries of the national convention, making it quite emphatic that it now appears that Congress is not going to get through with its work so we can recess for the convention. It looks as if we are going to be compelled to stay right here through the convention. Some of us will have to go to the convention anyway. I assume the Senator from Iowa [Mr. DICKINSON] will have to go. I intend to leave here on the 8th of June and to remain absent until after the convention is over. There are many subjects that ought to receive preliminary consideration, and naturally they come up for the chairman of the national committee to consider. Some of those I called to talk about with the President before we came to any definite decision. Everybody would understand that as an obvious situation, a thing that any chairman would feel under obligation to do.

As I left the White House last night I was met by several newspapermen. They wanted to know what was the subject of the discussion. Naturally I told them why I was there. Then they began to ask me questions. One question was whether we discussed the referendum. I stated flatly that we had not, that that was not a subject which I had gone to the White House to discuss. Yet in the Herald is a statement that we did discuss the referendum and also a

statement as to the position of the President. There is not a scintilla of fact in that statement.

I know that in the course of the conversation with the newspaper boys, and there were four of them there, I was asked about the tax situation and whether we had discussed that matter. I stated that we had, but that the subject of discussion was the progress we were making on tax legislation. The sales tax was not discussed. No particular phase of discussion was entered into except as to the probability of our reaching a vote soon.

I was asked what is the position of the President on the sales tax. I frankly stated that I was of the opinion that as between the excise tax and the sales tax the President would be in favor of the sales tax. I did not quote the President because he said nothing of the sort to me at all. I gave it simply as an opinion of my own. Probably I should not have done it, but now comes the statement as from me, as reported in the press, that I stated that the President is flatly behind the sales tax. There is absolutely no truth in that statement. In the first place, I would not quote the President even if he had stated any such thing as that, but he did not state anything of the sort and I do not know of my own knowledge the position of the President on the sales tax. I gave it as my opinion that as between the high excise taxes and the sales tax, the President would prefer the sales tax, but I made the statement without any authority except that it was my own judgment.

That is all there is to the statement in the Herald about prohibition and the referendum, which assumes that we discussed that question, and also about the sales tax, which assumes that I was quoting the President as being for the sales tax when I do not know what his position is.

It is along the same line that there seems to be an effort to draw a Senator into complications where some statement will be made and then immediately somebody identified with the statement will call me up and ask whether I said it. In other words, in their inability to get me to talk on a thing about which I am not talking, somebody will print it as if I had talked upon it and then call me up and ask me whether I did or not. That is a high grade of conduct on the part of men who represent the great press of the country.

Yesterday I made a statement relative to Senators coming into the Chamber late when the Senate met at 10 o'clock, a matter which had been discussed here. Commenting on that statement, the same news agency which had prepared the previous statement for the press, said "The Senate is very anxious to make the country believe that its Members are very studious and busy."

It is all right, perhaps, for members of the press to make such statements to people who understand the circumstances, but I contend that it is not a service but is a disservice to the country to utilize this as an open season for shooting at public officials who are trying to do their best to meet the problems with which they are confronted. It is not treating the country properly when such distortions as appear in the press this morning are printed without scruple. It seems to me there ought to be some change in attitude on the part of the press.

Mr. COUZENS. Mr. President, so long as the general sales-tax question has been raised this morning, I wish to indorse what the Senator from Mississippi has said with respect to delay in balancing the Budget and to discuss the question involved.

If the amendment proposed by the Senator from Massachusetts [Mr. WALSH] should not be offered, we could balance the Budget before we adjourned to-night. If there shall be any delay in balancing the Budget by the injection of the sales-tax proposal of the Senator from Massachusetts, the responsibility for the delay and for failing to balance the Budget within a month or six weeks will be upon the shoulders of those who sponsor and support the proposition. The responsibility will not be upon those who are now supporting the bill as reported by the Finance Committee.

Mr. WATSON. Mr. President——

Mr. COUZENS. I yield to the Senator from Indiana.

Mr. WATSON. In a conversation with the Secretary of the Treasury yesterday afternoon he stated to me, basing his estimate on the condition of the bill the night before at the time the Senate adjourned, that we had provided $969,000,000 of additional revenue, but that he thought it would be absolutely unsafe to undertake to balance the Budget with $969,000,000 of additional revenue unless the reduction in expenditures to be made by the economy program was greater than he thought might be made. He said that to be absolutely safe, to make sure that the Budget would be balanced, so that the country and the world would be satisfied that it had been balanced rationally, it would require $1,025,000,000 of additional revenue and a reduction in expenditures of $350,000,000.

The Senator from Michigan has stated that we can balance the Budget to-night. He is a member of the Finance Committee; he has studied all these questions and is familiar with them. I am wondering, having provided for raising revenue to the amount of $969,000,000 and it being necessary to have $1,025,000,000, where we are going to get the other $56,000,000?

Mr. COUZENS. Just how we are going to get that $56,000,000 may be left to the Senate. There are several ways of raising it. We can adopt the proposal of the Senator from Texas [Mr. CONNALLY], which will produce from $100,000,000 to $125,000,000 more, and then not go back to the war-time income-tax rates which I recommended. To adopt the Connally amendment will more than balance the Budget, and it will be better to more than balance the Budget than to have it unbalanced.

However, that is not exactly the purpose for which I rose. I rose to say that it would take a month or six weeks, probably, to debate the amendment submitted by the Senator from Massachusetts.

Mr. BARKLEY. Mr. President, will the Senator from Michigan yield there?

Mr. COUZENS. I yield to the Senator from Kentucky.

Mr. BARKLEY. If the Senator's statement be accurate, and if it be true, as the Treasury Department states, that each day we are losing $8,000,000 while we postpone the passage of the pending measure, a delay of 30 days would mean a loss of $240,000,000. Whether the statement of the Treasury is accurate or not I do not know, but we have been told that each day we delay the passage of the pending measure the deficit in the Treasury becomes $8,000,000 greater.

Mr. COUZENS. I understood the Senator from Utah [Mr. SMOOT] to say the deficit increased at the rate of $2,000,000 a day.

Mr. BARKLEY. The press has carried the statement that it was $8,000,000 a day; but even if the sum be $2,000,000, if we delay the passage of the bill for 30 days that would be $60,000,000, and that is more than the $56,000,000 now necessary to balance the Budget.

Mr. COUZENS. Every day we delay the passage of this bill to discuss theories of taxation, whether it be excise taxes on a few commodities or the surtax or other kinds of taxes, we are delaying the balancing of the Budget and are losing probably more in revenue day after day than we can gain by a change in the method of taxation.

Briefly, I want to point out some of the difficulties that will arise and some of the interpretations that will have to be arrived at when we are considering the amendment proposed by the Senator from Massachusetts [Mr. WALSH]. I want to draw attention to some of the exemptions his amendment proposes, how they will have to be interpreted, and the necessity of an interpretation of what the amendment means before we act upon it.

I want to say that there will be literally hundreds of amendments proposed to the amendment, because the amendment, as I view it, is already too inclusive of the necessities of life. For instance, beginning with the exemptions on page 5 of the amendment, it provides:

(1) Food for human or animal consumption (including those grades and forms of articles chiefly used as food for human or animal consumption in the form in which sold or after processing or as material for such food) and tea and coffee.

I think it would require a very long definition properly to determine what is intended by "food * * * including those grades and forms of articles chiefly used as food."

Then in subparagraph (2) the amendment provides—

Medicines—

Then in parenthesis—

(other than patent or proprietary medicines).

I should like to ask the Senator when he excludes proprietary medicines he means the——

Mr. WALSH of Massachusetts. Mr. President, may I suggest to the Senator from Michigan that we refrain from discussing my amendment until it shall be reached in the consideration of the pending measure? I think that would be much more orderly procedure and possibly save time.

Mr. COUZENS. I dislike to disagree with the Senator's suggestion, but the Senator knows that the most intensive propaganda is now proceeding in order to induce Senators to vote for this proposed plan. Not only 39 newspaper publishers, I understand, have been pledged but it is even whispered around the Senate that the Scripps-Howard publications are going to switch and come out for the sales-tax plan; and it is also whispered around that Mr. Roy Howard has already been induced to switch over and indorse the sales-tax plan. I do not propose to sit here and wait until next week, when this propaganda may influence a sufficient number of Senators to enable the sales tax to be put in this bill.

Mr. WALSH of Massachusetts. The Senator knows that this proposal did not come from the administration or the Treasury Department but from the Democratic members of the House Ways and Means Committee.

Mr. COUZENS. I am not saying it did; I am saying where the source of it now is.

Mr. WALSH of Massachusetts. The Senator knows that propaganda, if there is propaganda, has been of recent origin and of recent intensity, and that when this proposal was first offered by the Ways and Means Committee there was very little propaganda for it.

Mr. COUZENS. I am not disagreeing with the Senator as to that.

Mr. WALSH of Massachusetts. The Senator, of course, may criticize and discuss the amendment as he sees fit, but I really would prefer that the debate should be delayed until we reach and may discuss the amendment section by section, and until I can give my reasons for supporting it and can enumerate the objections to it. I propose to enumerate every objection of which I have heard and to give what seems to me to be an explanation in reply to the objections.

Mr. COUZENS. Out of consideration for the Senator——

Mr. WALSH of Massachusetts. I will say this regarding the amendment that it is similar to the provision drafted by the House Ways and Means Committee; that it was drafted by the experts of the Treasury; it was modeled after the Canadian plan; and a great deal of time and a great deal of study have been given to the matter by experts of our Government. They think they have drafted a workable amendment. It has defects; it is not perfect; it perhaps can be improved; but it is, on the whole, as satisfactory a manufacturers' excise tax as could be drafted.

Mr. COUZENS. Out of respect for the Senator's wishes, I will not ask him any question.

Mr. WALSH of Massachusetts. I appreciate that.

Mr. COUZENS. In discussing the amendment, I think it is fair to its proponents to point out some questions that will be raised and some of the amendments that will be offered for consideration before it can be voted on by the Senate.

Mr. WALSH of Massachusetts. I want, when I have an opportunity to present the amendment, to explain its provisions. I hope to give to the Senate the arguments that are in favor of it; I hope to present every known and repeated argument against it, and to give my views in reference to the weight that should be attached to those objections.

There are objections to it just as there are objections to the excise taxes proposed in this bill, but not one objection can be lodged against a single tax proposed to be levied by the amendment than can be lodged against the tax now in the bill on candy, on chewing gum, on radios, on automobiles, on tubes and tires, and many other articles, except that in my amendment the rate is infinitely smaller than in the bill which is now before the Senate.

Mr. COUZENS. Of course I disagree with the Senator that there are not great objections to the proposal, because it covers the whole field of human needs except food and cheaper clothing. If the excise taxes are objectionable—and I agree that they are—they are confined to a few articles; but the objections to the Senator's amendment can be multiplied by the number of articles that would be included in it.

Mr. WALSH of Massachusetts. May I ask the Senator a question?

Mr. COUZENS. Yes.

Mr. WALSH of Massachusetts. Suppose I came here with an amendment providing for a tax of 1¾ per cent on expensive furniture, on rugs, on carpets, on draperies, on laces, on linen, on chinaware, on silverware, and 100 or more other commodities that the well-to-do and prosperous purchase, would the Senator object to such a tax?

Mr. COUZENS. I do not desire a consumption tax, because I am conscious of the fact that the only way to employ our unemployed is to supply more luxuries.

Mr. WALSH of Massachusetts. Is there not just as much justification for the kind of taxes I have suggested as for the special excise taxes levied by this bill?

Mr. COUZENS. Absolutely; there is no question about that.

Mr. WALSH of Massachusetts. Then I think the Senator will give me credit for eliminating, as far as it is humanly possible and so far as is possible of administration, every single necessity of life which the worker and the poorer classes of our population consume.

Mr. COUZENS. That is where the Senator and I wholly disagree. I do not believe the Senator has eliminated from his amendment one-half the things that ought to be eliminated.

Mr. WALSH of Massachusetts. The Senator can not deny statistics, and statistics show that 73 per cent of the earnings of the workers goes for food, clothing, and rent. That has been shown by test after test and examination after examination.

I will concede that in this amendment it is proposed to tax part of the 27 per cent income of some of the working class, but from that must be deducted expenditures for amusements and for other incidentals of life that are not reached and are not in the category of purchases. I repeat, that examination after examination as to how the income of the worker is spent shows that over 70 per cent is spent for food, clothing, and rent, and they are all exempted by the amendment; indeed, the amendment provides a tax on the rich and wealthy of the country, who because of their wealth have the most money to spend, and is an amendment to free and liberate the poor from taxation so far as it is possible to do it by law.

Mr. COUZENS. I could argue for months and months, and be wholly in disagreement with the Senator's viewpoint that what he proposes is a tax on the rich. It is obviously a tax on the poor, because, as the Senator's own candidate for the Presidency, Mr. Alfred Smith, pointed out, an individual with an income of $1,000 under this proposal for a sales tax would pay $8.

Mr. WALSH of Massachusetts. I do not care what Mr. Smith or anybody else said, I repeat, it provides the revenues necessary to run the Government from the wealthy consumers and reduces to a minimum the tax burden on the poor.

Mr. COUZENS. I am telling the Senator what the proponents of the measure say.

Mr. WALSH of Massachusetts. I am trying to treat this on a broad basis. I enumerated 10 or more articles, and the Senator has just agreed with me that there is just as much reason for taxing those articles as there is for taxing the commodities mentioned in the bill pending before us. Indeed, there is more reason, because the things I have named—the laces and the linens and the carpets and the

rugs and the art and the china and the bric-a-brac and the silverware—are purchases that will be particularly used by the rich, and be subject to this tax.

Mr. COUZENS. I should like to ask the Senator whether the poor live in bare houses?

Mr. WALSH of Massachusetts. Certainly not.

Mr. COUZENS. Do the poor have to get along without carpets and rugs and kitchen utensils and chairs and kitchen tables and knives and forks and napkins?

Mr. WALSH of Massachusetts. No, Mr. President; but the poor have to use for 20 years the tableware from which they eat, the furniture in their homes, and the other commodities they use. They are not every six months or every year or every three years buying these expensive commodities as styles change, and the Senator knows it well.

Mr. COUZENS. Those things are not exempted in this bill. If the Senator wants to get at the point he desires, and with which I am in agreement, why does he not present an excise tax on the commodities to which he has just referred? If he does, I shall be glad to support it.

Mr. WALSH of Massachusetts. If the Senator can enumerate to me the things that he wants to eliminate from this bill that will exempt the poor from every tax, I will agree with him; but he can not do it, and I will tell him why. He can not eliminate the tablecloth of the poor that costs 50 cents unless he eliminates the tablecloth of the rich that costs $100.

Mr. COUZENS. Oh, yes; I can.

Mr. WALSH of Massachusetts. He can not eliminate the wash towel that the poor buy in the 5-and-10-cent stores for 5 cents unless he eliminates the towel that costs $1, $5, $10, or more.

Mr. COUZENS. I disagree with that entirely. The Senator's own bill indicates that.

Mr. WALSH of Massachusetts. Let the Senator draw an amendment, and name in that amendment every commodity that the worker and the poor consume, and I will accept it.

Mr. COUZENS. That is just what I rose to say.

Mr. WALSH of Massachusetts. But I will tell the Senator that he is limited to about 10 per cent of the expenditures of the poor, because 70 per cent is eliminated under this bill.

Mr. COUZENS. It will be my intention to eliminate the other 30 per cent.

Mr. WALSH of Massachusetts. The Senator can not do it. Some of it goes when the poor man goes to church on Sunday. Some of it goes when he goes to the movie. Some of it goes when he goes to the baseball game. Some of it goes for things that are not and can not be eliminated from a tax bill.

Mr. COUZENS. We are going to eliminate them just as far as we can; and I thought it was due to the Senator and due to the other advocates of the sales tax to notify them how long it would take to get this bill through, not only because of the misunderstandings but because of the lack of adequate exemptions.

Mr. WALSH of Massachusetts. The Senator and I absolutely agree that if we are going into the excise-tax business we want every single thing excepted that the poor eat and wear. I am with him in that. Let him draw the amendment, and I will accept it.

Mr. COUZENS. I point out also that there are 10 pages, I am informed, of exemptions under the Canadian law. Let me say that I am not influenced by what the Canadians do in raising their taxes any more than I am influenced by what the British do in raising their income taxes, although I want to point out the great difference between the income-tax rates paid by British citizens and the income-tax rates paid by American citizens.

Mr. WALSH of Massachusetts. I hope the Senator will at least admit that if we were going into the field of a general manufacturers' excise tax, this amendment was drawn as fairly as could be expected in undertaking a new venture of this character and kind. I will agree that he can name towels, he can name tablecloths, he can name chairs, he can name tables in the homes of the poor that this does not reach; but I have not been able to get experts to advise me just where to draw the line between the $1 chair and the $100 mahogany parlor chair.

Mr. COUZENS. Let me point out to the Senator that he has attempted it by putting a tax on suits over $35 and shoes over $5, and he excepts only a very few articles.

Mr. WALSH of Massachusetts. As the Senator knows, that was my own idea, because the proposal of the House Ways and Means Committee exempted all clothing and all shoes. I could not understand why a woman who was willing to pay $10 or more for a pair of shoes, or a man who could import his clothing from abroad and pay $100 or $150 for an overcoat, should not pay a tax. That is why I provided that those who buy the cheaper clothing and the cheaper shoes should be exempt, and only those who could buy expensive clothing and expensive shoes should be taxed. If that can be done in the field of furniture and in the field of table linen and bedding, I will go along with the Senator; but I want to tell him that it is a difficult thing to do. It is an exceedingly difficult thing to do.

Mr. COUZENS. The Senator has raised the very question I wanted to raise. I know he is sympathetic with exempting those articles.

Mr. WALSH of Massachusetts. I am for it, and I will try between now and Monday to see if it can be done; but I want to impress upon the Senator that it is a very difficult thing. I also want to impress upon him that the poor are not in the stores buying china, they are not buying crockery, they are not buying knives and forks, they are not buying linens and towels, every day or every week. These things have to last them a lifetime, and the burden upon them is very light, though it is there.

Mr. COUZENS. The Senator certainly does not mean to imply that those living on incomes of less than $2,000 a year, which are exempted under the income-tax brackets, do not have to replenish their napkins and bedclothing and household utensils?

Mr. WALSH of Massachusetts. No; but the figures I will give later come from the Senator's own city and State. A canvass was made and an examination was made, and months were devoted to it, to find out where the expenditures of the workers in the Ford factory went, how they were divided; and, I repeat, the statistics showed that 73 per cent of their expenditures went for food, clothing, and rental, and they are all eliminated from this bill. What the worker spends for other purposes is a very small percentage of his wages.

Mr. COUZENS. I disagree with the Senator that rent is eliminated from this bill.

Mr. WALSH of Massachusetts. There is no tax upon any existing building or institution in this country. It is true that if the Senator or I or anybody else undertakes to build a home to-morrow we will be subject to this tax.

Mr. COUZENS. Yes; and all repairs will be subject to the tax.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. LA FOLLETTE. But is it not a fact that the owners of property base their rent upon the cost of duplicating the building, or, at least, that is an important factor in the rents charged? Therefore, if this tax goes into effect and has the tendency, which I contend it will have, to increase the cost of duplicating these buildings, that factor will be taken into consideration in fixing the rent on existing buildings.

Mr. COUZENS. There is no question about it.

Mr. WALSH of Massachusetts. Undoubtedly that is true to a degree. I do not claim for a moment that there is not going to be some burden upon this class of people; but it is insignificant compared with the burden that there will be upon the man who builds a $500,000 home. It is inconsequential. It goes up and up and up as the cost increases. Unless conditions change rapidly there will not be many homes built by the workers, and rents give no promise of increase.

Mr. COUZENS. I want to answer some of these questions that the Senator raises before he completes his speech.

Mr. WALSH of Massachusetts. The Senator invited me to interrupt him. I did not seek the floor. I say now that I think we are just going over the ground again and again. I much prefer to present my views when the amendment is moved and to answer questions at that time rather than to have to go over the ground again.

Mr. COUZENS. I said to the Senator a while ago that I would not ask him any more questions, but I would just inform him and his supporters in the sales tax of some of the things that were yet to be considered and the length of time it would take to have them properly considered before we could possibly vote on his amendment. I thought it was a friendly gesture to those who were proposing to put this amendment over to be advised in advance as to what the contentious points would be with respect to it.

Mr. WALSH of Massachusetts. I just want to say one thing further, if the Senator will permit me. The only difference between my proposal and what is in the bill is this: The bill provides for taxes upon certain special commodities or goods and articles at a high rate. My proposal levies the tax at a greatly reduced rate in the same fashion, in the same manner, without pyramiding, but it takes in all goods and all commodities except those that the working class purchase as necessities of life.

Mr. COUZENS. I disagree with the Senator in his statement that there is not pyramiding. It can not be avoided.

Mr. WALSH of Massachusetts. If there is pyramiding in this bill, there is pyramiding in mine. It is the same system. Taxes are levied upon commodities in the same way.

Mr. COUZENS. I understand that; but there is pyramiding in all sales taxes, and that is what I am trying to demonstrate.

Mr. WALSH of Massachusetts. Nobody disputes it. That is already in the bill on hundreds of special manufactured articles.

Mr. COUZENS. I have never supported any of the excise taxes in this bill. I never have been in favor of a tax on consumption. Every single cost of production is pyramided.

Mr. GLASS and Mr. WHEELER addressed the Chair.

The PRESIDENT pro tempore. To whom does the Senator from Michigan yield?

Mr. COUZENS. I yield to the Senator from Virginia.

Mr. GLASS. Mr. President, I should like to inquire of both the Senator from Michigan and the Senator from Massachusetts if either one of these classes of taxes by itself will balance the Budget, in their definite opinion?

Mr. WALSH of Massachusetts. In my opinion, they will not. In my opinion, no bill that we will draft or propose to draft here will do it; but I will say about my proposal that it seeks to raise all the money that is provided for in the Senate bill with an increase of $40,000,000 to take care of the loss that has been sustained by reason of changing the exemption on admissions.

Mr. GLASS. I understand, then, that the Senator's amendment is proposed as a substitute for the so-called nuisance taxes?

Mr. WALSH of Massachusetts. Absolutely. It is to strike out all the nuisance taxes and propose a general manufacturers' tax.

Mr. GLASS. If we should strike out all the nuisance taxes we would strike out the whole bill, because all taxes are nuisances, for that matter.

Mr. WALSH of Massachusetts. Yes; of course—the so-called nuisance or sales taxes.

Mr. GLASS. But what I want to reach is whether we might not retain the nuisance taxes and adopt the Senator's proposal also, and thereby come nearer balancing the Budget.

Mr. WALSH of Massachusetts. It undoubtedly would assure the balancing of the Budget more nearly than any other proposal that has been made.

Mr. GLASS. I am utterly opposed to going to the country upon the false pretense that we are balancing the Budget when we are not balancing the Budget.

Mr. WALSH of Massachusetts. I agree with the Senator.

Mr. COUZENS. Mr. President, the only advantage that these excise taxes have over the proposal of the Senator from Massachusetts is that each specific item is definitely taxed. The people know they are taxed. The people can buy or refrain from buying. The proposal of the Senator from Massachusetts, however, is what the propagandists call a painless tax. They want it concealed. They want it extracted from the people without knowing that it is being extracted. Telegrams and letters I am receiving in support of the sales tax say that it is a fair and equitable tax because it is a painless tax. It is a definite drive to extract millions and hundreds of millions of dollars from the pockets of the people of the United States without their knowing about it.

Mr. GLASS and Mr. BARKLEY addressed the Chair.

The PRESIDENT pro tempore. To whom does the Senator yield?

Mr. COUZENS. I yield to the Senator from Virginia.

Mr. GLASS. Mr. President, may I ask the Senator if all the manufacturers involved in this proposed tax do not constitute a privileged class, and if they are not to-day under the guise of a tariff exacting tribute from every consumer in this country?

Mr. COUZENS. I do not know all the articles that are covered by a tariff; but——

Mr. GLASS. Would not the Senator say, in general, that that is true?

Mr. COUZENS. I think, in general, that that is true.

Mr. GLASS. Then there are some of us who are inclined to vote for this proposition, although I am not definitely committed to it, because it would mean a drawback from this privileged class.

Mr. COUZENS. I do not know whether the Senator is predicating those remarks on the theory that the producers are going to absorb this tax or not.

Mr. GLASS. Yes; my understanding is that the producers are going to absorb the tax. I understood that the proposition was so hedged about that the tax could not be pyramided.

Mr. COUZENS. If the Senator has any such idea as that, we will have to disillusion him before we get through.

Mr. GLASS. I questioned the Senator from Michigan the other day, and I understood him to reply that under the Canadian system the consumers did not have to pay the tax.

Mr. COUZENS. Mr. President, I think the Senator misunderstood me. What I said was that under the Canadian system, and under the proposed amendment offered by the Senator from Massachusetts, a very great deal of pyramiding is obviated, it is true. The licensing system contained in the law in Canada, and in the Senator's amendment, does prevent a lot of pyramiding, but it does not prevent all of it. There is no human possibility of preventing pyramiding in connection with any production tax.

Mr. GLASS. The difference with the Senator's proposition, as the Senator from Michigan concedes, is that we will derive millions of dollars of revenue toward the support of the Government, applying the burden, as I conceive is intended, upon a privileged class which does not pay a dollar of revenue to the Government, but levies tribute upon every consumer of every article they manufacture in this country.

Mr. COUZENS. But the Senator predicates that statement on the view that the manufacturer who is alleged to have received the benefits of the tariff absorbs the tax. That is not so. Every one of these taxes will be passed on to the consumer, and even the strongest advocates of the general sales tax claim in their arguments that it is an easy and a painless tax, passed on to the people of the United States.

Mr. GLASS. That is the only excuse for a high tariff, and it is the only reason why the American people have not sense enough to wreck this high tariff policy.

Mr. COUZENS. Anybody who approves of the general sales tax is just adding to what the Senator from Virginia is now complaining about.

Mr. BARKLEY. Mr. President, will the Senator yield to me?

Mr. COUZENS. I yield.

Mr. BARKLEY. One of my reactions to the general sales tax proposal when it was first inaugurated years ago was the belief that it was originally designed ultimately to eliminate income taxes from this country so as to substitute a general sales tax as a permanent system of taxation on the people of the United States, in the hope that after a while it would be substituted for the income tax. The so-called nuisance taxes in this bill, if they are as irksome as represented, will be repealed earlier than they would otherwise be, and, as a matter of fact, the 2-year limit applies to all of them in the bill. If they are as irksome as it is claimed, we may assume that the people will demand their repeal as early as possible, and that the revolt against them will be so noticeable, that they will not be extended beyond the 2-year period unless our present situation should continue. But if its proponents do succeed in engrafting upon our taxing system a general sales tax, does the Senator believe we shall ever be able to get rid of it as a part of the permanent taxing system in this country? I would like to have his views.

Mr. COUZENS. In a statement I made on Friday the 13th I pointed out clearly that the movement back of the sales tax is one of the most subtle campaigns to eliminate the income tax. The junior Senator from California [Mr. SHORTRIDGE] read in the Finance Committee—as I think the Senator from Kentucky will remember, because he is a member of that committee—an editorial published on the front page of the Hearst papers in which they condemned the House and condemned the Congress for not accepting the general sales tax; and I want to give them credit for being perfectly frank. They said that if we will adopt a general sales tax there will be no need for increasing income taxes.

Mr. BARKLEY. I recall that long before the depression began, and when we were running over one another here to reduce taxes in order to reduce the surplus in the Treasury, there was a very pronounced advocacy on the part of some people in this country of the inauguration of a sales tax, not as a matter of necessity, not as a war tax, not as an emergency tax, not for the purpose of raising money to wipe out a deficit in the Treasury, but as a permanent taxing policy in this country.

It may be that our present unfortunate circumstances have given the occasion when that effort may be and is probably being intensified, though I acquit the Senator from Massachusetts of any such desire, because I know he not only favors the income tax but that he has voted to increase the brackets so as to raise a larger amount.

Mr. WALSH of Massachusetts. I proposed in the committee the high brackets which are found in the pending bill.

Mr. BARKLEY. What I said about the purpose of those who originally inaugurated the plan for a sales tax in no way applies to the Senator from Massachusetts. I do recall that our mail has been flooded, and propaganda has come to us for years, I think probably for 8 or 10 years, in behalf of a general sales tax.

In view of this long-extended effort to bring about the sales tax as a permanent taxing policy in the United States, the question I asked the Senator was whether, even if for temporary purposes, or to meet an emergency, it is now adopted, he thinks we shall ever be able to eliminate it?

Mr. COUZENS. It is my opinion that we will not, because we will have the same organization that is now working to put it over maintained for the purpose of keeping it in our taxing system. In other words, their whole argument is based on the fact that it is a painless tax. Any tax that is painless is a bad tax, because the only way the people will keep familiar with and informed on governmental expenditures is by knowing they are being taxed to maintain those expenditures. The subtleness of the thing is the fact that it is called a painless tax.

Mr. GEORGE. Mr. President, will the Senator yield to me?

Mr. COUZENS. I yield.

Mr. GEORGE. Can the Senator imagine that the enormous propaganda, the direct lobbying, of almost every character, that has gone on for the sales tax would have been undertaken if it had been contemplated that we would abandon it within two years, as, of course, the bill will provide?

Mr. COUZENS. I have not the slightest idea that that is their intention.

Mr. GEORGE. It seems to me it could not be expected that there was any desire or purpose to abandon it, because since I have been in the Senate I have known of no more intense propaganda than has been brought to bear, at least upon the members of the Finance Committee, for this particular proposal.

Mr. COUZENS. The intensity of the propaganda for the proposal is terrific. Not only that, but the proponents of the tax are taking advantage of the present situation to put it over; and remember, if we ever put the tax over, in two years all the great organs of publicity and all the agencies and attorneys of wealth will be saying, "Why repeal such an unburdensome tax? Why remove a tax which has been collected so easily and has been so painless?"

Mr. GLASS. Mr. President, will the Senator yield to me again?

Mr. COUZENS. I yield.

Mr. GLASS. The thing that concerns and mystifies me is that Senators who stand here and vote consistently and invariably for high protective tariff duties, many of those duties positively prohibitory, from which the Treasury does not derive one dollar of revenue, are now so concerned about a sales tax, which will produce millions of dollars of revenue; and their objection to it is that the sales tax is a painless tax. That is the very basis of tariff taxation, that people do not know when they are paying the tax.

The average American citizen who is not compelled to pay an income tax, who does not come in personal communication or contact with the internal revenue collectors, does not understand that every time he goes into a grocery store to make a purchase, that every time he makes a purchase of any nature whatsoever, practically, the man behind the counter collects from him, not a tax for the use of the Treasury at Washington, but a tribute to be paid to the manufacturer.

Mr. COUZENS. O Mr. President——

Mr. GLASS. Yet Senators who stand here and vote for taxes of that kind object to the sales tax because it is a painless tax, and may not ever be repealed. I want it understood that I am not speaking for a sales tax; I do not know exactly how I shall vote upon the proposition, but I am concerned that these gentlemen who are willing to have us pay tribute to these manufacturers from one year's end to the other are not willing to draw back a small proportion of their privileged profits.

Mr. COUZENS. Of course, if the Senator wants to get into a tariff discussion, I should wholly disagree with his statement that every time a purchaser went into a grocery store to purchase anything he paid tribute to the manufacturer. That is not correct, when millions of our citizens are going into the stores of the country to-day and buying eggs at much less than the cost of production on the farm, or buying other farm products at less than the cost of production on the farm, and are paying no tribute to the producers, to the manufacturers, or to anyone else.

Mr. GLASS. Every time a person goes into a store and purchases an article on which a tariff levy prevails, he pays tribute to the manufacturer of that article.

Mr. COUZENS. That may or may not be true. That tribute may be paid to the workers who produce the goods. It may be for the purpose of maintaining a higher standard of living than is maintained by our European or Asiatic competitors.

Mr. GLASS. That is the same old plea, of protecting American labor against the pauper labor of Europe. At the same time we were bringing the pauper labor of Europe over here by the millions. That is what has produced the unemployment in this country, the fact that we have millions of people here who ought to be somewhere else.

Mr. COUZENS. Mr. President, this is not a tariff argument. I did not rise to discuss the tariff. It may have its weak points, but I think the country is committed to the

principle, at least, that we are going to maintain as high as possible the standard of living of our workers here.

Mr. WHEELER. Mr. President, will the Senator yield to me?

Mr. COUZENS. I yield.

Mr. WHEELER. The Senator from Virginia speaks of the drawback. There will be no drawback under a sales tax from the manufacturer. The drawback will be from the people themselves, and if we ever get this principle established of a sales tax in this country, I do not care to how few articles it may apply, the working people of this country and the farmers of this country want to get it into their heads that if food is exempted this time, and if clothes are exempted this time, they will not be exempted the next time. This is simply a proposal on the part of the great financial interests of the country and the manufacturing interests of the country themselves, who want to have this tax imposed and pass it on to the poor classes of the people.

Mr. COUZENS. Mr. President, that is undoubtedly true, and I want to say in this connection that all we have to read is the inspired articles. Here is one from the great spokesman of the White House, Mark Sullivan, an article which appeared in the Washington Star last night, wholly misrepresentative of the facts, wholly untruthful as to the facts, and wholly inspired by some source unknown to me.

Mr. WALSH of Montana. Mr. President, I trust the Senator will not be diverted from the purpose with which he started out, to point out to us the number of controversial questions in this bill that would likely prolong debate indefinitely.

Mr. COUZENS. I do not intend to be diverted so that I will not touch upon that before I get through if it takes all day; but, of course, I yield to my colleagues if they want to express any view concerning this question.

I rose to point out that if this amendment is presented and seriously taken up, it can not be disposed of in less than a month, and I want to point out that if there is any failure to balance the Budget, if there is any delay, the responsibility will be on the proponents of this amendment, because such a proposal as is contained in this amendment can not be disposed of in less than a month.

Mr. WALSH of Massachusetts. Mr. President——

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

Mr. COUZENS. I yield.

Mr. WALSH of Massachusetts. The Senator does not question the right of another Senator or a group of American citizens to propose a substitute for the tax plan involved in the bill, does he?

Mr. COUZENS. Certainly not.

Mr. WALSH of Massachusetts. Then why does the Senator say that the mere proposal of it will mean a month's delay?

Mr. COUZENS. Because of the intricacies of the substitute which has been proposed by the Senator from Massachusetts.

Mr. WALSH of Massachusetts. Who causes the month's delay, the proponents of the substitute or those who object to it?

Mr. COUZENS. The proponents, because they have not properly analyzed it.

Mr. WALSH of Massachusetts. Are those who oppose it to be held without blame because they want to discuss it for a month, and are the proponents of the substitute to be blamed because it takes the opponents a month to discuss it?

Mr. COUZENS. Certainly; it is the fault of the proponents that the delay will be caused.

Mr. WALSH of Massachusetts. We have the right of petition, we have the right to be heard, we have the right to our day in court. The Senator from Michigan is attempting to claim that another Senator has not any right to propose a tax plan here which he considers better for his country, without threats being made that it will mean months of delay and attempting to shift the responsibility for not balancing the Budget to those who make the new proposal.

Mr. COUZENS. It is the responsibility of those who make the proposal. If the proposal is not brought before the Senate there will be no such delay. Nobody denies the right of petition. I merely want to point out what will happen as the result of the petition. I am not denying the right of the Senator or anybody else to petition.

Mr. WALSH of Massachusetts. The Senator was threatening that if we propose this plan it will delay proceedings for a month. That is a threat and nothing else, and I resent it.

Mr. COUZENS. I do not care what the Senator resents. The fact is that I do not make any threats. I am telling what the practical proposition is. The Senator has not given me an opportunity, nor have other Senators, to disclose what is involved in the proposal. I want to say that before the involvements are threshed out and understood by the public a month will have elapsed. If the Senator wants to construe that as a threat, let him so consider it. I do not propose to be a party to having a monstrosity like this put over on the American public without a protest on my part—a monstrosity that will never be gotten out of the taxing system if it is ever made a part of it by legislation.

The Senator from Massachusetts blames me and says I am threatening. I make no threats. It is the Senator, perhaps, because he is introducing an amendment to the bill involving the whole taxing problem of the United States for us to swallow whole without any criticism being offered or any amendments being proposed.

Mr. WALSH of Massachusetts. Not at all; but it has not taken a month to discuss the whole bill, and the Senator from Michigan is now claiming that it will take a month to discuss one amendment, in the nature of a substitute, substituting a general excise tax for the special excise taxes which are now in the bill.

Mr. COUZENS. The reason why is because the Senate never before had any such monstrosity as this to consider. Every proposal that is now in the revenue bill is one with which the Government and the people of the United States have had experience. I do not know of a single tax that was approved by the Finance Committee or that has been approved by this body with which the Government and its people have not had experience. But the proposal of the Senator from Massachusetts involves a taxing principle different from anything with which we have ever had to contend. It is one with which I hope we will never have to contend. It is the greatest monstrosity of a taxing system that I ever heard conceived of.

I want to point out something else. The Senator from Montana [Mr. WALSH] asked me not to overlook the reason for which I rose, which was to point out what is involved in the substitute offered by the Senator from Massachusetts. I thought it was perfectly fair for the opponents of the amendment to advise the proponents of what they will have to contend with in the way of amendments to the amendment, in the way of definitions, and so forth, before the Senate would be willing to accept such a monstrosity.

If the proposal of the Senator from Massachusetts carries out the intent, or at least what I believe to be the intent, of the Senator, it would relieve all those who have difficulty in maintaining a decent existence. I have not contended that the Senator from Massachusetts has any other desire. He does, however, point out the great difficulties which would be involved in exempting the people in whom he seems to be so greatly interested. If they should be exempted, there would be no task too great for this body to undertake than to see that they are exempted. It will be my purpose to offer amendments as we go through the Senator's amendment to see that those people are exempted.

I resent the charge of demagoguery every time a public official rises anywhere to defend or protect a less-privileged class of my country. Every time a public official, every time a newspaper, every time a political candidate, even including Governor Roosevelt, of New York, raises a voice in behalf of the 40,000,000 or 50,000,000 of those gainfully employed, seeking their welfare, saying something in their defense, something for their protection, he is charged with being a

demagogue. The great ex-Governor of the State of New York rises in defense of the great industries of New York, the great banking industries, and charges Governor Roosevelt with being a demagogue because he raises his voice in defense and in support and in protection of the group of our citizens who need the most consideration.

And yet the amendment now submitted proposes to take hundreds of millions of dollars out of the pockets of the greatest purchasing group of the United States—what for? To relieve other taxpayers. If we are going to take up this proposal seriously, paragraph by paragraph, obviously amendments will have to be made.

I had reached this point when I was diverted. I was about to refer to exemption No. 2, medicines, other than patent or proprietary medicines. I assume that cascarets, cascara, agar-agar, aspirin, veronal, and all those articles which we purchase at the drug stores to prevent pain, to prevent or cure sickness, are to be taxed. What for? For the purpose of saving a tax on some special article which may or may not be needed for our existence.

Mr. WHEELER. Mr. President——

The PRESIDING OFFICER (Mr. FESS in the chair). Does the Senator from Michigan yield to the Senator from Montana?

Mr. COUZENS. I yield.

Mr. WHEELER. Nearly all of the articles the Senator has classified and mentioned, including such items as listerine and similar household articles and proprietary medicines, are used by the poor of the country.

Mr. COUZENS. Undoubtedly, because they are not always able to run to a high-priced physician to get a special prescription. No one objects to a tax on the articles which the Senator from Massachusetts mentions, but I submit that a plan to tax the purchasers of expensive draperies, rugs, pictures, jewelry, and so forth, can not be used as a screen to get the 40,000,000 others who would be involved.

Mr. CONNALLY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Texas?

Mr. COUZENS. I yield.

Mr. CONNALLY. If the proponents of the sales tax are so much concerned in taxing the rich man's draperies and jewelry, they can reach that rich man by adopting the income-tax increases which we have proposed, can they not?

Mr. COUZENS. Certainly. I am not charging the Senator from Massachusetts with having this motive, but I want to say that the great master mind behind this screen is perhaps not apparent to the public. I say the proponents of the general sales tax have answered the siren call of that group, not intentionally, but nevertheless answered it.

Mr. LA FOLLETTE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Wisconsin?

Mr. COUZENS. I yield.

Mr. LA FOLLETTE. While the Senator is on the subject of proprietary medicines, I would like to refer to one of the reports of the committee on the cost of medicine in the United States. As the Senator probably knows, the chairman of that committee is the Secretary of the Interior, and its membership comprises many of the most prominent physicians in the United States. It is a study which has had the cooperation of the American Medical Association. After very exhaustive researches they report that the annual bill for medicines in the United States is approximately $715,000,000. They state that this is nearly as much as the amount spent annually for physicians or for hospitals; that more than 70 per cent of the total expenditure for drugs and medicines is for self-medication; that is, for patent medicines and home remedies. They state further that physicians are writing fewer prescriptions and that the production and consumption of ready-made package medicines is increasing; that in the great majority of the 60,000 drug stores in the United States pharmacists are called upon to devote only one-half of their time to the practice of pharmacy.

In that connection may I further point out, to supplement what the Senator has already said, that these are not the so-called patent medicines which are "good for man and beast," which will cure an itch on the head and a pain in the back with one dose. More and more it has become the practice of the legitimate manufacturers of drugs and medicines to put up the recognized medicines in patented form for the consumption of the public. To supplement the list given by the Senator just now, the disinfectant S T 37, which is in very common use, would be taxed under the proposal of the Senator from Massachusetts. Mercurochrome, used commonly in the household for the prevention of infection in cuts or bruises, and many other similar items would be involved, which I shall not take the time of the Senator to mention. I wanted to point out the enormous bill for medicines which would be taxed under the proposal of the Senator from Massachusetts as it now stands.

Mr. COUZENS. Not only is that true, but let me point out that every piece of lumber, every shingle, every bag of cement, every piece of electrical equipment that goes into the workingman's home is to be taxed under the new proposal. When these matters come before the Senate amendments will be offered to exempt them, so that Senators will have an opportunity to declare by their votes whether they want to tax these items or not.

The Senator from Massachusetts has been here long enough to know that these matters can not be disposed of in a few days. It will take weeks to go through all the items involved, so that the Senate will be able to determine whether we want to place this special burden on these particular commodities.

I would propose that all articles used in the building or furnishing and maintenance of the home costing less than $8,000 be exempted. I would have every brick, every bit of lumber, every bathtub, all the things enumerated by the Senator from Mississippi [Mr. HARRISON] this morning, exempted from this proposal if it is to be seriously considered.

It seems to be assumed that all the young couples who are going to get married or who are just getting married are not going to be permitted to equip a modest home without having to pay this atrocious tax on every purchase they make, not only in the purchase of the home itself but in its furnishings. As we go through the proposal of the Senator from Massachusetts, there will be thousands and thousands of amendments offered to exempt various items from being included in the sales tax.

Mr. LOGAN. Mr. President——

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Kentucky?

Mr. COUZENS. I yield.

Mr. LOGAN. I would like to ask the Senator what is the difference between the sales tax he is discussing and the tariff tax which he favored so vigorously? Is not the sales tax exactly the same thing as the tariff tax which the Senator is supporting?

Mr. COUZENS. Mr. President, I had a colloquy with the Senator from Virginia [Mr. GLASS] about it this morning, and I do not want again to become involved in a tariff debate now.

Mr. LOGAN. I was not in the Chamber at the time, and I just wanted to know the difference between the tax the Senator is calling a sales tax and a tariff tax.

Mr. COUZENS. The Senator, of course, knows that tariff taxes are not all workable; they do not all become effective. The Senator knows that hardly any of the protective tariff duties on agricultural products are effective at this particular time, and he also knows that there are other commodities on which the tariff is not effective because of competitive conditions. For example, take the motor-car industry. There is a tariff on motor cars, but it is not effective, because we sell motor cars in this country for less than they can be sold abroad, so that the tariff is ineffective. In other words, we can go through the list and find cases where the tariff is effective and where it is not

effective; but under this amendment, excluding the exceptions made by the Senator from Massachusetts, the tax is applicable to all. I do not, however, want to get into a tariff discussion.

Mr. GLASS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Virginia?

Mr. COUZENS. I yield.

Mr. GLASS. A more accurate answer to the question of the Senator from Kentucky would be to say that a tariff levy does not necessarily involve the collection of a tax by the Treasury to maintain the Government, whereas the proposal now being discussed would collect hundreds of millions of dollars for the Treasury.

Mr. COUZENS. Mr. President——

Mr. GLASS. A tariff tax means tribute for the privileged classes, while a sales tax——

Mr. COUZENS. Who has the floor, Mr. President?

Mr. GLASS. I supposed the Senator had yielded to me. I beg his pardon for interrupting him.

Mr. COUZENS. The point was made, I will say to the Senator from Kentucky, that this proposed tax would come out of the manufacturers, and before the Senator from Kentucky came in I was showing that it would not come out of the manufacturers.

Mr. GLASS. Mr. President, what I was saying to the Senator from Kentucky was that what the Senator from Michigan failed to point out was that the tariff tax eventually means tribute for a privileged class, while a sales tax means money brought into the Federal Treasury.

Mr. BORAH. From whom?

Mr. COUZENS. Mr. President, I disagree with the Senator from Virginia, much as I dislike to do so, but the fact is that the tariff tax is not collected in many cases, but wherever it is collected it is to protect American workmen.

Mr. WHEELER. Mr. President——

Mr. COUZENS. I yield to the Senator from Montana.

Mr. WHEELER. Regardless of whether or not the tariff may be wrong or may be right, two wrongs do not make a right. Even if we assume that the cases are parallel, it seems to me perfectly preposterous to say because we have enacted one law that may be wrong that we should go ahead and put further taxes upon the people of this country because the Congress sees fit to put another burden upon them.

Mr. COUZENS. That is true.

Mr. WHEELER. That is just drawing a red herring across the trail, it seems to me, in order to help out the manufacturers and the great income-tax payers of this country who want to shift the burden from their own shoulders and place the tax upon the workers and the farmers of the country.

Mr. COUZENS. Mr. President, the Senator from Virginia seemed to imply that this proposed tax was coming out of the manufacturers who benefit by the tariff law. Assuming that they do benefit, I want to reiterate that the $350,000,000 which the Senator from Massachusetts desires to have collected under a taxing system, which is new in our fiscal scheme, will not come out of the manufacturers but out of the consumers; and a large part of it out of the consuming public who are unable to bear the burden. I do not disagree with the Senator from Virginia in a desire to get from the rich taxes on profits that might come to them from the benefits they enjoy under the tariff when such benefits are unreasonable or excessive. In that respect I agree that we ought to tax them either through income or profits taxes.

Mr. FLETCHER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Florida?

Mr. COUZENS. I yield.

Mr. FLETCHER. Under the plan proposed the tax of 1¾ per cent is to be paid in the first instance on the sales price by the manufacturer?

Mr. COUZENS. Yes.

Mr. FLETCHER. Is the Senator confident that the manufacturer will in every instance be able to add that tax to his selling price? Will he not be obliged at times to absorb it himself?

Mr. COUZENS. Of course, no one can tell exactly what will happen, but I want to say that if it is absorbed by any group it, of course, will be absorbed by the great and powerful interests and will further tend to centralize capital and control of industry. It will be, perhaps, one of the most decisive steps that we have ever taken to drive out of business the independent stores, the little manufacturer, the small business men all over the country, who will not be able to absorb the tax. So if we should adopt it, and if, as the Senator says, some of the producers may attempt to absorb it, it will be absorbed by those already powerful and rich and, therefore, will tend further to concentrate wealth and industry into great organizations.

Mr. President, paragraph (3) of the amendment of the Senator from Massachusetts exempts:

> wearing apparel for any part of the body, not including boots or shoes sold for (or, if imported, valued under subsection (c) (1) at) more than $5 a pair, and not including any article sold for (or, if imported, valued under subsection (c) (1) at) more than $35. A suit or dress shall be considered a single article for the purposes of this paragraph.

I wonder how feasible that provision is of administration. In order to escape the tax all one would have to do would be to sell a suit of clothes for $34.99, and the tax would be avoided, whereas if he sold the suit for $35.10 the tax would have to be paid. If one should buy a pair of boots or shoes for $4.99, he would pay no tax, but if he should buy a pair of shoes for $5.10, he would pay a tax. Those are samples of the impracticable and unworkable provisions in the amendment, and obviously it will take hours and hours of the Senate's time properly to interpret and amend them.

Mr. BARKLEY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Kentucky?

Mr. COUZENS. I yield.

Mr. BARKLEY. In view of what the Senator from Michigan said earlier in the day in reference to the attitude of the Scripps-Howard newspapers, is he willing to yield long enough to have the clerk at the desk read an editorial from to-day's Washington News on the subject?

Mr. COUZENS. I would be very glad to have the editorial read.

Mr. BARKLEY. I ask that the clerk read the editorial which I send to the desk.

Mr. COUZENS. Before the editorial is read I should like to make plain to the Senator from Kentucky and to the other Senators that I did not charge that the statements were true.

Mr. BARKLEY. I understand that.

Mr. COUZENS. I said very plainly that they were being "whispered around the Senate," and that they were being "whispered by the proponents of the sales tax." A great motor car company president said to me, "I think we have got Roy Howard committed to the sales tax, and if he is committed to the sales tax will you not also 'come across' for the sales tax?" I said, "if everybody else in America comes out for the sales tax, I will not."

Mr. BARKLEY. I think the editorial will make the situation clear as to the Scripps-Howard publications.

Mr. COUZENS. I will be very glad to have the editorial read, and I yield for that purpose.

The PRESIDING OFFICER. The clerk will read, as requested.

The legislative clerk read as follows:

[From the Washington Daily News, Saturday, May 28, 1932]

THE SALES TAX

Balance the Federal Budget before the political conventions and before Congress is turned into a campaign free-for-all! That is the demand of the country. All sides agree that prolonged delay in passing the tax bill would be disastrous.

Further delay would injure the national credit. It would retard business. It would hold up the vitally necessary unemployment-relief program. The entire country would suffer.

After long months of study and debate, the Republican-Democratic bipartisan tax bill is on the threshold of final passage. It is through the House. Senator HARRISON, ranking Democrat in charge of the bill, says that it can pass the Senate to-day.

It can go through conference in short order and be sent to the President. The tax bill can become law within a few days.

The Senate can then proceed with the remaining appropriation bills, the economy measure, and the relief legislation, and Congress can adjourn before the June conventions and the campaign.

There is only one threat to this desired speed. That is the attempt to revive the defeated sales tax.

The chance of the sales tax passing both Houses is slight. But the chance of the sales tax last ditchers blocking action for several weeks is very grave.

Senators SMOOT and HARRISON, the Republican and Democratic tax leaders, both say the sales tax can not pass the Senate. But even if the sales tax could pass the Senate, virtually everyone at the Capitol admits that it can not pass the House—which has already defeated it once. Allowing for a political miracle, tactics of delay and obstruction might conceivably get the sales tax through the House.

But that delay of the tax bill, and consequent delay of the whole balance budgeting and relief program, are precisely what the country can not stand.

If it were the other way around, doubtless the country would be willing to swallow a bad sales tax as better than none, as better than disastrous delay. But that is not the situation. It is the reverse.

The only way to get through the relief and economy measures and balance the Budget before the conventions is to pass the bipartisan Republican-Democratic tax bill at once.

Whether the sales-tax principle is good or bad—and we believe it is bad—is an academic question now. The practical issue is speed. Business is waiting for a balanced Budget. The unemployed are waiting for relief.

Congress must act, and act quickly.

Mr. COUZENS. Mr. President, paragraph (5) exempts agricultural implements and articles used in agricultural production. It reads as follows:

(5) Agricultural implements and machinery and parts thereof, and gas and electricity for farm use or for use for irrigation or other agricultural purposes.

So, in effect, in order to collect this tax, every switch box, every power board, will have to be measured to ascertain how much of the power is by activities other than those which are exempt under the provisions of the amendment.

Paragraph (6) provides that workmen's hand tools shall be exempted; so that the equipment of every great industrial plant will be exempted from taxes in so far as such equipment comprises tools which workmen use with their hands. Therefore that provision will have to be made definite.

Then I want to point out the very great tenderness paragraph (9) exhibits for the newspapers, magazines, and other periodicals. Just why great successful newspapers should be exempted from paying any production tax, I am unable to understand, unless it be that they are to be relied upon to put over and to compel the public to swallow this iniquitous tax.

Therefore, Mr. President, I hope that we will not seriously have to take up this question for consideration.

Mr. LA FOLLETTE. Mr. President, I realize that the sales tax is not now pending before the Senate, and that the Senator from Utah and other Senators want to get on with the bill, but I do not wish the present discussion of the sales tax to close without emphasizing the realities of the situation.

The House of Representatives had a long and bitter fight over the sales tax, and it was rejected in that body by a substantial majority. The Senator from Arkansas, the leader on the other side, stated this morning that, in so far as his investigations have gone, if I understood him correctly, he is unable to ascertain that there has been any substantial change in sentiment in the other House which would justify the contention by the proponents of the sales tax that the House has reversed its position. It seems to me, therefore, Mr. President, that it is obvious that those who now in the closing hours of the deliberations of this body on the tax bill bring forward a measure which strikes at the fundamental principle of graduated taxation upon which taxation has been based in the United States since 1913, must assume responsibility for any delay which may be occasioned by the consideration of that proposal.

Had the House of Representatives adopted the sales tax, and were those of us who oppose that vicious method of taxation in the position of endeavoring to strike it out of the bill at this time, it might well be said that the responsibility for delay would rest upon the opponents of the sales tax. To-day the revenue bill is, after weeks of work on the part of the Senate Finance Committee and of the Senate, practically ready to be passed, without any change in the fundamental principle upon which taxation has been based in this country for 20 years.

I wish to emphasize that it is unfair of the proponents of this measure to contend that those of us who are unalterably opposed to it should accept their proposal without offering amendments or debating the fundamental principle involved in it.

As I have said before in the debate upon this bill, I have not been one of those who, either within or without this Chamber, have contributed to creating in the public mind unreasoning fear over balancing the Budget; but the fact exists that responsible officers of the administration, business men, bankers, Members of Congress, and the press, have carried on in the public press and over the radio a propaganda which has had the effect of creating in the public mind a virtual panic concerning the balancing of the Budget. In view of that fact, as a rather recent member of the Finance Committee, I have in the consideration of this bill, voted for some of the taxes that it contains, not because I believe that they are sound in principle, but because I have believed it was necessary to expedite the passage of the bill in view of the fears that have been created in the public mind.

Every Senator here knows that if I had had my way about it, I would have achieved this result by the continuation of the sound principle of taxation embodied in graduated income and estate taxes; that the burden, whether it be light or heavy, shall be distributed in proportion to the ability of the taxpayer to carry that burden. But the amendment offered by the Senator from Michigan [Mr. COUZENS], and the amendment offered by the Senator from Texas [Mr. CONNALLY] were defeated by a majority of this body. I, therefore, faced the realities of the situation; and, knowing that the sales tax—vicious as I believe it to be in principle and unjust as it is to the common people of the United States—would be offered, I said that I would vote for the highest tax rates upon special commodities rather than to have this vicious principle become a part of the fiscal policy of this Republic.

Under special excise taxes there may be some relief for the taxpayer. He can decline to purchase if he believes the tax too high. But under the general sales-tax proposal now put forward, may I say, by a prominent member of the party which pretends to draw its inspiration from Thomas Jefferson, there is no relief. It taxes the unborn; it taxes the individual while he lives; and after he is dead, and before he can be interred in the ground, it continues to place this inequitable and unjust form of taxation upon him.

Ever since the war—in fact, ever since adoption of the constitutional amendment granting to the Federal Government the power to levy graduated income taxes—there has been a bitter fight over every revenue bill to prevent the adoption of rates upon incomes and upon estates which would place a fair and proportionate share of the cost of government upon those best able to bear it. In the debate upon the Couzens amendment I pointed out that when the war was declared and it became necessary to raise enormous sums of money for the purpose of prosecuting the war, those who believed sincerely in the system of graduated taxation sought to extract every dollar of war profits from those who were profiting at the expense of the country's war-time extremity. They were defeated. The Government adopted rates infinitely lower than those imposed even by Great Britain, and chose to raise the largest share of the burden of the war by the issuance of bonds. That policy increased the Federal per capita debt in the United States from $12.50 in 1916 to $150 to-day, even after the repayment of several billions of the debt incurred during the war.

That burden must be paid; and we are fighting here, in opposing the sales tax, not only over the question how rev-

enue shall be raised to achieve an alleged "balanced Budget" in this emergency, but we are fighting to determine whether the cost of the war shall be borne in proportion to ability to pay, or whether we shall put that burden upon those who were called upon to fight this war on foreign soil, 3,000 miles away, and upon their children and their children's children.

Confronted with that issue, I would fight to the last gasp to prevent the writing into law of the insidious policy embodied in the sales tax. I shall therefore claim my right, as a representative in part of the people of a sovereign State of this Union, to debate fully the issues involved in the sales-tax proposal, and, if it is to become a part of the law, to fight for amendments to relieve in so far as possible the low-income group in the United States—the underprivileged, as they are described by the Senator from Michigan [Mr. COUZENS].

The Senator from Massachusetts [Mr. WALSH] says this is a plan to tax the rich. If the Senator from Massachusetts really wanted to tax the rich he had his opportunity on two roll calls in connection with this bill—one on the amendment offered by the Senator from Michigan [Mr. COUZENS], which would have permitted the elimination of all the special consumption taxes, and the other on the amendment offered by the Senator from Texas [Mr. CONNALLY], which would have permitted us to eliminate at least some of them.

Mr. COUZENS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Michigan?

Mr. LA FOLLETTE. I yield to the Senator.

Mr. COUZENS. May I also point out that the Senator from Massachusetts had an opportunity to vote to eliminate that group in the low income-tax brackets for which he pleaded so hard in opposition to the taxes proposed by the Senator from Texas [Mr. CONNALLY] and myself. As the Senator will remember, the Senator from Louisiana offered an amendment to eliminate that group—the group that was so pleaded for by the Senator from Massachusetts—and the Senator from Massachusetts voted against that amendment.

Mr. LA FOLLETTE. Mr. President, if in arguing this question we are going to designate these amendments by slogans, if the amendment of the Senator from Michigan is denounced as a plan to "soak the rich," we are justified in saying that the plan of the Senator from Massachusetts is a plan to "soak the poor." Since the Senator from Massachusetts has contended that his amendment would not fall upon those who toil in this country, and would reach the rich, perhaps it would not be amiss to read a letter signed by the president of the American Federation of Labor, who speaks for millions of workers and for millions out of work in the United States to-day.

Under date of May 26 he addressed to me the following letter, which I assume was addressed to all other Senators:

WASHINGTON, D. C., *May 26, 1932.*

Hon. ROBERT M. LA FOLLETTE, Jr.,
Senate Office Building, Washington, D. C.

DEAR SIR: I am taking the liberty of addressing you for the purpose of transmitting to you the attitude of labor toward the revenue measure which is now being considered by you and your associate Members of the United States Senate.

As reasonable-minded people, labor recognizes the necessity of enacting a tax measure at this session of Congress which will provide additional revenue for the Government. Working men and women recognize that the expenses and income of the Government must be balanced as nearly as possible.

Because the burden of taxation must rest very heavily upon labor, those affected are of necessity concerned with the character of tax legislation approved by Congress. Real estate, tobacco, cigar, amusement, and other forms of taxation of that kind are inevitably borne by the masses of the people. While labor may submit uncomplainingly to the payment of this character of taxes, it is irrevocably opposed to the imposition of a sales tax.

Labor is opposed to the sales tax because it is wrong in principle. It tends to impose the burden of taxation upon those least able to pay it and to relieve the more fortunate of taxation burdens which they should rightfully bear. We are convinced that some of those who support Federal sales tax legislation hope eventually to replace this form of taxation for the income-tax plan which is now in effect, and which some of the advocates of the sales tax declare "has degenerated into a racket."

Laboring people have always proceeded upon the assumption that our tax structure has been erected upon the basis of capacity to pay. This would mean that the burden of taxation would be equitably borne by all groups of people. It is inconceivable at this time when millions are dependent because of unemployment and when so many people are forced to economize and forego even the bare necessities of life that the burden of taxation should be laid more heavily upon them through the enactment of a sales tax law. The mere suggestion that foodstuffs and certain lines of clothing would be exempt could not appeal to the conscience and judgment of the masses and would not influence them to support the sales tax law.

People must buy more than food and clothing. To compel them to pay a sales tax upon all purchases made with the exception of food and certain lines of clothing means that workers must buy less and use less.

I am firmly convinced that the social consequences which would follow the enactment of a sales-tax measure would be most disastrous in effect. You must know, as well as all who are in close touch with the unemployment situation, that great social unrest and much economic dissatisfaction prevail. We are doing everything that lies within our power to preserve industrial peace and to minimize social unrest. The enactment of a sales tax would, in my opinion, inflame the minds of distressed workers so that the social unrest which now prevails would be very greatly aggravated.

May I earnestly request that when the sales-tax proposal is presented for definite action that you will keep fresh in mind the opposition of labor and of the masses of the people to its adoption by the Congress of the United States? I earnestly hope that you will share labor's point of view in its opposition to the enactment of a sales tax law.

Very respectfully yours,

WM. GREEN,
President American Federation of Labor.

The Senator from Massachusetts characterized as a threat the statement by the Senator from Michigan that if this proposal were brought forward the opponents of it would find it necessary to offer innumerable amendments in an endeavor to prevent the heavy hand of the Federal tax gatherer from falling unjustly on the backs of an already overburdened and restless people.

I hold in my hand the Canadian sales tax law. It contains six pages of exemptions. This Canadian law has been held up as a model by the advocates of the sales tax. I shall not take the time to read all of the exemptions at this time, but I wish to point out some of the things which are exempted. Among them are books for the blind; books not printed in Canada; nicotine; nonalcoholic preparations or chemicals for dipping or spraying; nonalcoholic preparations or chemicals such as are used in disinfecting or spraying; fire brick containing not less than 90 per cent of silica; magnesite brick; bells when imported for the use of churches; castings of iron or steel; coil chain; chain links; milking machines and attachments therefor; fruits and vegetables; washing machines; windmills; portable engines with boilers; equipment for generating electric power; machinery and apparatus for use exclusively in washing or drying coal; machinery and apparatus and complete parts used in producing unrefined oil from shale; well-drilling machinery and apparatus; seamless iron or steel tubing; well-drilng machinery and apparatus complete; machinery and appliances of iron or steel; articles for use exclusively in the metallurgy or smelting of iron; machinery and apparatus of a kind or class not made in Canada; ore crushers, rock crushers, stamp mills, and so forth; diamond drills and core drills; coal-cutting machines; sundry articles of metal; pumps and vacuum pumps; amalgam safes; automatic ore samplers; machinery and apparatus and complete parts thereof for the recovery of solid or liquid particles, and so forth; machinery for use in sawing lumber up to but not including the operation of planing; machinery, logging cars, cranes, blocks and tackle, wire rope; cylinder stave saws; shovels; spades; engines and complete parts thereof to be used in the propulsion of boats; articles which enter into the cost of manufacture of goods enumerated in certain tariff items, and so on.

It certainly could not be contended—and I am sure the Senator from Massachusetts would not contend—that if he brings forward a proposal here which many of us feel would change the fundamental character of our tax system, we should not, in the first place, debate fully the fundamental

principle involved; and, secondly, threatened as we might be with its enactment into law, that we should be precluded from offering all necessary amendments intended to alleviate the burden of this tax upon the common people.

I had not intended to dwell at all upon the principle involved in the sales tax; but I feel so deeply about it that I was diverted. What I rose to say—and what I wish to say, in conclusion—is that I believe, in view of the legislative situation, as the Senator from Arkansas pointed out this morning, that those who intend to inject the sales-tax argument into the closing hours of the consideration of this bill must accept full responsibility, not only for the delay which will be necessarily and legitimately occasioned in the Senate but also for the delay which may be occasioned if the House of Representatives rejects this tax and it becomes necessary to bring the bill back to the Senate to do over the work which we have already done in the past two weeks.

I ask to have printed as a part of my remarks Schedule III of the Canadian special war revenue act.

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

SCHEDULE III

Bread; bakers' cake and pies, not to include biscuits; flour, including self-raising flour, oatmeal, rolled oats, and cornmeal; rolled wheat, buckwheat meal, and pea meal; pearl barley; split peas; barley meal; pot barley; animals living; live poultry; meats and poultry, fresh; milk, including buttermilk, condensed milk, evaporated milk, and powdered milk; cream; butter, and substitutes therefor; cheese; lard, lard compound, and similar substances, made from animal or vegetable stearine or oils; eggs; vegetables, fruits, grains, and seeds in their natural state; bran, shorts, middlings, alfalfa meal; oil cake, oil-cake meal; grains mixed or crushed for cattle or poultry feed; hay; straw; hops, when produced in Canada; nursery stock; vegetable plants; other farm produce sold by the individual farmer of his own production; bees; honey; sugar; molasses; corn sirup; maple sirup, and sugarcane sirup; salt, when manufactured or produced in Canada; ice; fish and products thereof; ores of metals of all kinds; fuel of all kinds; gold and silver in ingots, blocks, bars, drops, sheets, or plates unmanufactured; British and Canadian coin and foreign gold coin; logs and round unmanufactured timber; split fence posts; fence posts, railroad ties, pulpwood, tan bark, and other articles the product of the forest, when produced and sold by the individual settler or farmer; newspapers and quarterly, monthly, and semimonthly magazines and weekly literary papers unbound; materials for use only in the construction, equipment, and repair of ships; ships licensed to engage in the Canadian coasting trade; calcium carbide; radium; electricity; gas manufactured from coal, calcium carbide, or oil for illuminating or heating purposes; materials for use solely in the manufacture of any substitute for butter or lard; artificial limbs, and parts thereof; artificial eyes; donations of clothing and books for charitable purposes; settlers' effects; war veterans' badges; memorials or monuments erected in memory of soldiers who fell in the Great War; articles for the use of the Governor General; articles imported for the personal or official use of the British high commissioner, ministers of foreign countries, consuls general who are natives or citizens of the country they represent and who are not engaged in any other business or profession; Bibles, missals, prayer books, psalm and hymn books, religious tracts, and Sunday school lesson pictures; manila fiber for use only in the manufacture of rope not exceeding 1½ inches in circumference for the fisheries; boats, bona fide, purchased by individual fishermen for their own personal use in the fisheries; articles and materials used in the manufacture of boats, bona fide, built for individual fishermen for their own personal use in the fisheries; fiber for use only in the manufacture of binder twine; fertilizers; dried-beet pulp; manuscript; raw furs; wool not further prepared than washed; drain tiles for agricultural purposes; printed textbooks authorized by the department of education of any Province in Canada, and materials used exclusively in the manufacture or production thereof; insulin; extract of rennet; calf, cattle, hog, or poultry feed; ice cream; rice, cleaned; macaroni and vermicelli; meats, salted or smoked; carbolic or heavy oil, to be used only in creosoting logs and round unmanufactured timber; cream separators and parts thereof; cars and other similar appliances for use exclusively at a mine or a quarry for mining or quarrying; articles and materials to be used exclusively in the manufacture of cars and other similar appliances for use exclusively at a mine or a quarry for mining or quarrying; articles and materials to be used exclusively in the manufacture of cream separators and parts thereof; materials, not to include plant equipment, consumed in process of manufacture or production, which enter directly into the cost of goods subject to the consumption or sales tax, manufactured or produced by a licensed manufacturer or producer; articles and materials, not to include permanent equipment, which enter into the cost of manufacture or production of goods manufactured or produced by a licensed manufacturer or producer; wrought, seamless, or lap-welded iron or steel tubing, less than 4 inches in diameter, threaded and coupled, or not, when used only in oil wells, and materials used in the manufacture of such tubing, machinery, and apparatus used only in the pumping of crude oil out of wells, and articles and materials used in the manufacture of such machinery or apparatus.

Usual coverings to be used exclusively for covering goods not subject to the consumption or sales tax; materials to be used exclusively in the manufacture of usual coverings to be used for covering goods not subject to the consumption or sales tax; woolen rolls or wool yarn milled for a producer of wool from such wool supplied by him for his own use; cotton duck and cotton sail twine to be used only in the manufacture of equipment for ships or vessels; official stationery imported by His Majesty's Trade Commissioners in Canada from His Majesty's Stationery Office in England; crushed stone, produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks, and not for sale, and sand, gravel, rubble, and field stone; lasts for boots and shoes including rubber footwear and patterns and dies for boots and shoes including rubber footwear; apples, dried, desiccated, or evaporated; articles and materials for the sole use of any bona fide public hospital certified to be such by the Department of National Health, when purchased in good faith for use exclusively by the said hospital and not for resale; preparations for use exclusively as gopher poison.

GOODS ENUMERATED IN CUSTOMS TARIFF ITEMS

45. Milk foods, not otherwise provided for; prepared cereal foods, in packages not exceeding 25 pounds weight each.

46. Prepared cereal foods, not otherwise provided for.

64. Sago and tapioca.

173. Books, embossed, and grooved cards for the blind; and books for the instruction of the deaf and dumb and blind; maps and charts for the use of schools for the blind.

175. Books not printed or reprinted in Canada, which are included and used as textbooks in the curriculum of any university, college, or school in Canada; books specially imported for the bona fide use of incorporated mechanics' institutes, public libraries, libraries of universities, colleges, and schools, or for the library of any incorporated medical, law, literary, scientific, or art association or society, and being the property of the organized authorities of such library, and not in any case the property of individuals—the whole under regulations prescribed by the Minister—provided that importers of books who have sold the same for the purpose mentioned in this item shall, upon proof of sale and delivery for such purpose, be entitled to a refund of any duty paid thereon.

209b. Nicotine sulphate.

219a. Nonalcoholic preparations or chemicals for disinfecting, dipping, or spraying, not otherwise provided for.

219c. Nonalcoholic preparations or chemicals, such as are used for disinfecting, dipping, or spraying, when in packages not exceeding 3 pounds each in weight.

Dry preparations used for the same purposes as goods enumerated in items 219a and 219c.

281. Fire brick containing not less than 90 per cent of silica; magnesite fire brick or chrome fire brick; other fire brick valued at not less than $100 per 1,000, rectangular shaped, the dimensions of each not to exceed 125 cubic inches, for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment.

281a. Fire brick, not otherwise provided for, for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment.

352a. Bells, when imported for use in churches only.

391a. Castings of iron or steel, being ingot mold for use in the production of steel.

406. Coil chain, coil-chain links, including repair links, and chain shackles, of iron or steel.

409a. Milking machines and attachments therefor; centrifugal machines for testing butterfat, milk, or cream; complete parts of all the foregoing.

409b. Cultivators, harrows, seed drills, horse rakes, horse hoes, scufflers, manure spreaders, garden seeders, weeders, and complete parts of all the foregoing.

409c. Plows; farm, field, lawn, or garden rollers; soil packers; complete parts of all the foregoing.

409d. Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing-machine separators, including the motive power incorporated therein, and complete parts of all the foregoing.

409e. (i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; pressure-testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; animal dehorning instruments; and complete parts of all the foregoing.

(ii) Fruit and vegetable grading, washing and wiping machines and complete parts therefor.

409f. Hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers, and grain or hay grinders for farm purposes only, post-hole diggers, snaths, stumping machines, and all other agricultural implements or agricultural machinery, not otherwise provided for, and complete parts of all the foregoing.

409g. Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing.

409i. Scythes, sickles, or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, not otherwise provided for.

409j. Fanning mills, pea viners, corn-husking machines, threshing-machine separators, including wind stackers, baggers, weighers, and self-feeders therefor; complete parts of all the foregoing.

409k. Windmills and complete parts thereof, not including shafting.

409n. Portable engines with boilers, in combination, for farm purposes; horsepowers and traction engines for farm purposes, not otherwise provided for, and complete parts of all the foregoing.

409o. Equipment for generating electric power for farm purposes only, viz, engine, gas tank, generator, storage battery, and switchboard; and complete parts of all the foregoing.

410b. Machinery and apparatus for use exclusively in washing or dry cleaning coal at coal mines or coke plants; machinery and apparatus for use exclusively in producing coke and gas; machinery and apparatus for use exclusively in the distillation or recovery of products from coal tar or gas, and complete parts of all the foregoing, not to include motive power, tanks for gas, nor pipes and valves 10½ inches or less in diameter.

410c. Machinery and apparatus and complete parts thereof for use exclusively in producing unrefined oil from shales; not to include motive power, of a class or kind not made in Canada.

410d. Well-drilling machinery and apparatus, and complete parts thereof, of a class or kind not made in Canada, and seamless iron or steel tubing over 8 inches in diameter, for use exclusively in drilling for water, natural gas, or oil, and in prospecting for minerals, but not to include motive power; including goods enumerated in this item of a class or kind made in Canada.

410e. Well-drilling machinery and apparatus and complete parts thereof, and rope 2,100 feet and over in length, capable of drilling wells of 2,000 feet and over in depth, of 4 inches and over in diameter, and of raising and lowering casing over 4 inches in diameter for such wells, for use exclusively in drilling for water, natural gas, and oil, and in prospecting for minerals, not to include motive power.

410f. Machinery and appliances of iron or steel, of a class or kind not made in Canada, and elevators, and machinery of floating dredges, for use exclusively in alluvial gold mining.

410g. Articles for use exclusively in the metallurgy or smelting of iron, viz: Machinery and apparatus for sintering or nodulizing iron ore, concentrated or not, or flue dust; machinery and apparatus for use exclusively in the construction, equipment, and repairs of blast furnaces for smelting iron ore, such machinery and apparatus to include hot-blast stoves and burners, blast piping and valves connecting the blowing engines with the furnace, scale cars, charging and hoisting apparatus, blast-furnace gas piping, cleaners, and washers; and integral parts of all the foregoing, but not to include wrought-iron pipe or valves 10½ inches and under in diameter, nor structural ironwork.

410k. Machinery and apparatus of a class or kind not made in Canada, for use exclusively in handling ore and other materials to be charged into the blast furnace from the dock, car, or stock pile at the smelting works.

410l. Ore crushers, rock crushers, stamp mills, granding mills, rock drills, percussion coal cutters, coal augers, rotary coal drills, not otherwise provided for, and complete parts of all the foregoing for use exclusively in mining, metallurgical, or quarrying operations.

410m. Diamond drills and core drills, not including motive power, and electrically operated rotary coal drills, of a class or kind not made in Canada, and integral parts of the foregoing, for use exclusively in mining operations;

410n. Diamond drills and core drills, not including motive power, and electrically operated rotary coal drills, not otherwise provided for, and integral parts of the foregoing, for use exclusively in mining operations.

410o. Coal-cutting machines, not otherwise provided for; coal-heading machines; electric or magnetic machines for concentrating or separating iron ores; automatic scales for use with conveyors; and integral parts for all the foregoing, for use exclusively in mining or metallurgical operations.

410p. Sundry articles of metal as follows, for use exclusively in mining and metallurgical operations, viz, furnaces for the smelting of ores; converting apparatus for metallurgical processes in metals; machinery for the extraction of precious metals by the chlorination or cyanide processes, not to include pumps, vacuum pumps, or compressors; blast furnace blowing engines for the production of pig iron; and integral parts of all the foregoing.

410q. Pumps and vacuum pumps, and complete parts thereof, for use exclusively in the extraction of precious metals by the chlorination or cyanide processes.

410s. Amalgam safes; automatic ore samplers; automatic feeders; retorts; mercury pumps; pyrometers; bullion furnaces; amalgam cleaners; and integral parts of all the foregoing, for use exclusively in mining or metallurgical operations.

410z. Machinery and apparatus, not otherwise provided for, and complete parts thereof, for the recovery of solid or liquid particles fom flue or other waste gases at metallurgical or industrial plants, not to include motive power, tanks for gas, nor pipes and valves 10½ inches or less in diameters.

411. Machinery for use in sawing lumber, up to but not including the operation of planing, and complete parts thereof, not to include motive power, when for use exclusively in sawmills (for the purpose of this item motive power is defined as equipment for driving the machinery of the sawmill).

411a. Machinery, logging cars, cranes, blocks and tackle, wire rope, but not including wire rope to be used for guy ropes or in braking logs going down grade, and complete parts of all the foregoing, for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier.

411b. Cylinder stave saws, wheel-type stave jointers, crozing and chamfering machinery, when for use exclusively in making staves.

431. Shovels and spades, of iron or steel, not otherwise provided for.

431a. Axes.

439c. Farm wagons, farm sleds, logging wagons, logging sleds, and complete parts thereof.

439d. Freight wagons, drays, sleighs, not otherwise provided for, and complete parts thereof.

440k. Engines and complete parts thereof, to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats bona fide owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the minister.

442. Articles which enter into the cost of manufacture of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, and 439c, when imported by manufacturers for use exclusively in the manufacture in their own factories of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, and 439c, under regulations prescribed by the minister.

442a. Notwithstanding the provisions of tariff item 442, materials or commodities as hereunder defined or described, when imported by manufacturers for use exclusively in the manufacture, in their own factories, of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, and 439c, under regulations prescribed by the minister—

(1) Pig iron.

(2) Bars or rods, of iron or steel, hot rolled.

464. Steel dies, of a class or kind not made in Canada, valued at not less than $1,000 each, for use exclusively in stamping metal sheets or metal plates: *Provided*, That such dies shall be exported from Canada under customs supervision within three months from the date of import entry.

476. Surgical and dental instruments of any material; surgical needles; X-ray apparatus; surgical operating tables for use in hospitals; microscopes valued at not less than $50 each by retail; and complete parts of all the foregoing.

476a. Glassware and other scientific apparatus for laboratory work in public hospitals; apparatus for sterilizing purposes, including bedpan washers and sterilizers, but not including washing or laundry machines; all for the use of any public hospital, under regulations prescribed by the minister.

480. Crutches or specially constructed staffs for cripples.

538. Binder twine or twine for harvest binders.

663b. Articles which enter into the cost of the manufacture of fertilizers, when imported for use exclusively in the manufacture of fertilizers.

666. Nitroglycerine, giant powder, nitro and other explosives.

667. Blasting and mining powder.

682. Fishhooks, for deep-sea or lake fishing, not smaller in size than No. 2; bank, cod, pollock, and mackerel fishlines; and mackerel, herring, salmon, seal, seine, mullet, net, and trawl twine in hanks or coil, barked or not—in variety of sizes and threads—including gilling thread in balls, and head ropes for fishing nets; marline, and net horsels of cotton, hemp, or flax; and fishing nets or seines, and manila rope, not exceeding 1½ inches in circumference, when used exclusively for the fisheries, not to include hooks, lines, nets, or ropes commonly used for sportsmen's purposes.

692. Coins, cabinets of; collections of medals and collections of postage stamps; medals of gold, silver, or copper, and other metallic articles actually bestowed as trophies or prizes and received and accepted as honorary distinctions, and cups or other metallic prizes (not usual merchantable commodities), won in bona fide competitions.

695a. Paintings in oil or water colors, and pastels, valued at not less than $20 each; paintings and sculptures by artists domiciled in Canada but residing temporarily abroad for purposes of study, under regulations by the minister.

696. Philosophical and scientific apparatus, utensils, instruments, and preparations, including boxes and bottles containing the same; maps, photographic reproductions, casts as models, etchings, lithographic prints or charts; mechanical equipment of a class or kind not made in Canada. All articles in this item, when specially imported in good faith for the use and by order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any public hospital, college, academy, school, or seminary of learning in Canada, and not for sale, under regulations prescribed by the minister.

700. Animals and articles brought into Canada temporarily and for a period not exceeding three months, for the purpose of exhibition or of competition for prizes offered by any agricultural or other association: *Provided*, a bond shall be first given in accordance with regulations prescribed by the minister, with the condition that the full duty to which such animals or articles would otherwise be liable shall be paid in case of their sale in Canada, or if not reexported within the time specified in such bond.

701. Menageries, horses, cattle, carriages, and harness of, under regulations prescribed by the minister.

702. Carriages for travelers, and carriages laden with merchandise, not to include circus troupes or hawkers, under regulations prescribed by the minister.

703. Travelers' baggage, under regulations prescribed by the minister.

704. Apparel, wearing and other personal and household effects, not merchandise, of British subjects dying abroad, but domiciled in Canada; books, pictures, family plate or furniture, personal effects and heirlooms left by bequest.

1017. Lapwelded tubing of iron or steel, not less than 4 inches in diameter, threaded and coupled or not, when used in casing water, oil and natural gas wells, or for the transmission of natural gas under high pressure from gas wells to points of distribution.

UNENUMERATED

Iron or steel pipe, not butt or lapwelded, and wirebound wooden pipe, not less than 30 inches in internal diameter, for use in alluvial gold mining, including articles and materials used exclusively or consumed in the manufacture of the said pipe.

ARTICLES AND MATERIALS TO BE USED EXCLUSIVELY IN THE MANUFACTURE OF GOODS ENUMERATED IN CUSTOMS TARIFF ITEMS

Items 219 a, 219c—Dry preparations used for the same purposes as goods enumerated in items 219a, 219c, 281, 281a, 391a, 406a, 406b, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409i, 409j, 409k, 409n, 409o, 410b, 410d, including goods enumerated in this item of a class or kind made in Canada; 410e, 410f, 410g, 410k, 410l, 410m, 410n, 410o, 410p, 410q, 410s, 410z, 411, 411a, 411b, 431, 431a, 439c, 439d, 440k, 442, 442a, 476, 476a, 480, 538, 663, 663a, 663b, 666, 667, 696, tubing enumerated in customs tariff item 1017.

MATERIALS, NOT TO INCLUDE PLANT EQUIPMENT, CONSUMED IN PROCESS OF MANUFACTURE OR PRODUCTION, WHICH ENTER DIRECTLY INTO THE COST OF GOODS ENUMERATED IN CUSTOMS-TARIFF ITEMS

Items 281, 281a, 391a, 406a, 406b, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409i, 409j, 409k, 409n, 409o, 410b, 410d, including goods enumerated in this item of a class or kind made in Canada; 410e, 410f, 410g, 410k, 410l, 410m, 410n, 410o, 410p, 410q, 410s, 410z, 411, 411a, 411b, 431, 431a, 439c, 439d, 440k, 442a, 476, 476a, 480, 538, 663, 663a, 666, 667, 696, tubing enumerated in customs tariff item 1017. (1931, c. 54, secs. 15 and 22.)

All orders in council providing for the payment of 50 per cent of the rate of consumption or sales tax imposed on certain goods are repealed.

Mr. SMOOT. Mr. President, I ask unanimous consent that at the conclusion of to-day's business the Senate take a recess until 10 o'clock Monday.

The VICE PRESIDENT. Is there objection? The Chair hears none, and that order will be entered.

Mr. PITTMAN. Mr. President, for the purpose of having the proposed amendment printed, I offer an amendment to the amendment of the Senator from Massachusetts relative to the manufacturers' tax, to come at the end of his amendment. It is what was known as the Connally amendment, with regard to the income-tax schedule. I ask to have it printed and lie on the table, to be proposed by me at the proper time.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

Mr. DILL. Mr. President, in regard to the provision on page 274, I should like to have pending as an amendment to the House text in line 15, page 274, after the word "than," to strike out the word "one-fourth" and to insert in lieu thereof the word "one-eighth," so that the tax on the stock-exchange sales would be one-eighth of 1 per cent instead of one-fourth of 1 per cent, as the House provided. I would like to have that amendment pending.

Mr. WALSH of Massachusetts. Mr. President, I do not rise at this time for the purpose of discussing the merits or demerits of the proposal contained in the amendment known as the emergency manufacturers' excise tax. I fully appreciate that there is much that can be said in opposition to the adoption of this policy as well as any other taxation plan, and I have no quarrel with those who desire to debate the proposition as long as they choose.

The able senior Senator from Michigan [Mr. COUZENS] pointed out to the Senate that there were provisions in the amendment which would be subject to many amendments. He appeared to be armed with a great deal of objections to the various provisions of the proposal. I was disappointed when he finished, for I found that the only criticism he made was of the exemptions. Let me briefly refer to them, because it seems to me his criticisms are very trivial.

His first criticism was of the language which exempts food for human or animal consumption. What language could be broader, what language could be used that would include all food and feeds better than the words "food for human and animal consumption"? The Senator did not go into details in his criticism of that item, however.

The next item he took up was that relating to medicine, and he named certain medicines which were not exempted. I want to say, in reply to that, that if there is one provision in this amendment where the tax will be absorbed, it is in the case of medicines. It is the one provision, in my judgment, in this amendment where the tax will not be passed on because of the competition in medicines, the large number of drug establishments, and the fact that the prices of practically all medicines are fixed.

The Senator pointed out some medicines which are in common use, but he did not tell us the price of the medicines, and he did not tell us what the tax would be. Under my proposal a bottle of medicine costing $1, assuming it is in the class that would be taxed, would pay a tax of only 1¾ cents. Some of the medicines he enumerated retail for 25 cents and less. The tax upon medicines of that kind would be a fraction of a penny.

There are a large number of medicines which contain alcohol in various proportions. Some of those patent medicines are produced by some of the most prosperous business concerns of the country. I have in mind now a medicine called "Pepsin Wine," which is very largely and very extensively used. I inquire, Why should medicines of that character be exempt from the provisions of a general sales tax?

However, it is inconsequential whether the exemption be of all medicines or whether we limit it to medicines other than proprietary medicines. That is a trivial issue, and inconsequential. In fact, only yesterday I spoke to the experts about making that provision include all medicines. I do admit that I was very much impressed with the large number of patent medicines in this country costing very high prices, and in that class of medicines the tax would be absorbed.

What is the next objection he makes to this proposal? The third objection he makes is the exemption of newspapers, magazines, and other periodicals.

One would think from the attitude and from the manner of the distinguished Senator, my friend from Michigan, that he could tear the amendment to shreads; and yet when we get right down to it, he criticizes the exemption of food, he criticizes the fact that I have not excluded all medicines, he criticizes the exemption of books and magazines, and that is all.

Now let us see about books, magazines, and periodicals. First of all, they are in the amendment because they were in the bill as drawn by the Ways and Means Committee. Secondly, the magazine publisher and the book publisher and the newspaper publisher will pay the tax, because he has to pay a tax on his paper and on his ink and on his other supplies. He has practically no exemption. He is exempted simply for the cost, in addition to his ink and paper, of putting the book or magazine together.

Here is the sum total of the objections to a proposal covering 28 or more printed pages—not a proper definition of food, magazines, and newspapers should be exempted, not a broad enough exemption of medicine.

Oh, yes; there was another objection! He objected that I was excluding the electricity used on the farm. The Senator did not object to that, but he was not able to see how that could be worked out administratively.

Mr. COUZENS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Michigan?

Mr. WALSH of Massachusetts. I yield.

Mr. COUZENS. Does the Senator mean to say that is all the objection I made to his proposal?

Mr. WALSH of Massachusetts. Will the Senator state any further objection he made—I mean to the specific sections of the proposal? Of course, the Senator is opposed to the general principle of a manufacturers' excise tax.

Mr. COUZENS. I pointed out very clearly, as I thought, that there were no exemptions for the home of the man

which is to cost less than $8,000, for the furnishings or the equipment, for the bathtub, or anything of that kind in such a home.

Mr. WALSH of Massachusetts. The Senator did point out that the exemptions do not include the cost of homes to be built in the future, the cost of materials to be used in homes and office buildings and mansions to be built in the future. The Senator also pointed out that it did not exclude household furniture, the bedding and linens used in homes, and, I think, during the colloquy I had with him I explained the difficulties in trying to reach an exclusion of those particular articles.

As I said, I shall at another stage of the proceedings give what seem to me to be reasons in favor of the tax and discuss the objections which have been made. But I want to say, and I shall say it again and again, that I can not understand how any Senator can defend levying taxes upon particular commodities and articles which must be borne by certain industries, by all the people who purchase articles from those manufacturing industries which will bear a tax of from 2 to 15 or more per cent, and object to a proposal to include all articles except the mere necessities of life and make the rate of taxation 1¾ per cent.

I can not understand the reasoning and logic of one who is willing to accept a heavy, high tax upon certain industries and the products of ceratn industries levied in the way that they are to be levied under my proposal, and yet refuse to put all industries on an equitable basis, namely, to make the rate the same for every industry and to exempt all the necessities of life. It is a proposal to make the lavish spender pay more taxes than those who of necessity must spend frugally.

Mr. GLASS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Virginia?

Mr. WALSH of Massachusetts. Certainly.

Mr. GLASS. What I can not understand is why Senators should be so solicitous about the washbasin that is to go into a house that will cost $8,000 and yet stand here and vote to put a tax on the lumber out of which the house is to be built.

Mr. WALSH of Massachusetts. Yes; not only to tax lumber, but to tax it at a rate which is 33⅓ per cent on the cheap lumber that goes into the home of the workingman and only 2 per cent upon the mahogany lumber that goes into the mansion.

Mr. BROUSSARD. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Louisiana?

Mr. WALSH of Massachusetts. I yield.

Mr. BROUSSARD. While the Senator is talking about the tariff on lumber, may I make this inquiry in order to understand the scope of the amendment: Does the amendment of the Senator from Massachusetts include any of the very contentious tariff rates which are now contained in the bill?

Mr. WALSH of Massachusetts. My amendment does not. It excludes any consideration of any tariff item.

Mr. BROUSSARD. Neither oil nor copper nor lumber nor coal?

Mr. WALSH of Massachusetts. That is true. They are all excluded.

Mr. President, reference has been made to my vote on proposals for increasing the rates of income taxes. I supported the committee in that matter. I have supported the committee in every feature of the bill except that I have taken the position that we should substitute a general excise tax for a special limited excise tax. That is the only difference between the committee and myself.

I want to say further to the Senator from Michigan [Mr. COUZENS] that I differ with him and he differs with me in this particular. I agreed with him that when the country was prosperous and corporations were making large profits and incomes were large, in increasing surtaxes and normal taxes. I did not accept the proposal of the Secretary of the Treasury that the increasing of the surtaxes upon wealth would tend to drive money out of business and would result in less capital flowing into private business. I have refused to accept that principle until now.

With business depressed, with profits gone, with incomes wiped out, I believe there is no inducement—and that is one of the troubles with the country—for the man and woman of wealth to put their money into business. An entirely different situation exists now from former years. They are putting their money to-day into tax-exempt securities. I will go farther. If they want to preserve their money and be sure it is safe, they have got to do that. What we are doing when we propose these high surtaxes is further to push the capital out of business enterprises and into tax-exempt securities.

In the prosperous days there was an opportunity, an invitation, to invest and speculate in business enterprises, to make big profits by putting money in business. But what man to-day with $100,000 or $10,000 of income intends or proposes to put it in any business with conditions the way they are in this country? The banks even will not do it on business securities. That seems to me to be one of the problems we have to bear in mind, that we must so shape this tax bill and so shape legislation as to give confidence and hope to the man with money that he can invest his money in private business and open up the avenues of employment for our people.

I make a clear distinction between conditions when the country is prosperous and conditions when the country is prostrate. I say that the whole tendency and the chief inducement to-day for the man or the woman of small means or limited means or wealth, if one wants to be sure that his money is safe, is to go into tax-exempt securities, and they are doing it. Business is suffering. Unemployment is increasing. Money is not flowing into the avenues of business. I do not intend, under these conditions, to pursue a course that will discourage and dishearten business. I want to help private business to recover and thus help relieve unemployment.

One of the advantages of the proposal made by me is that such people—the tax-exempt investors—will be taxed. No other proposal in the bill or any other bill will reach the people by the tens of thousands and hundreds of thousands in this country who have enormous incomes without paying a cent of taxation. But they spend money, and they spend it lavishly, and if they spend money this plan of mine will tax them, and the more they spend the more revenue will flow into the Public Treasury.

Mr. President, I do not care to prolong the discussion any further at this time, but at a later time I hope to have an opportunity to discuss in detail the principles involved in my proposal.

Mr. COSTIGAN. Mr. President, the Senator from Massachusetts [Mr. WALSH] referred to the absence of any amendment to the pending bill tending to curb the escape of those who seek to evade income taxes through tax-exempt securities. I send to the desk a proposed amendment to the pending bill dealing moderately with that subject, and ask that it be printed and lie on the table.

The VICE PRESIDENT. The amendment will be printed and lie on the table.

Mr. COSTIGAN. May I also take occasion to ask that there be placed in the RECORD at this point portions of certain editorials appearing in the St. Louis Post-Dispatch, the Washington Daily News, and the New Republic having to do with the sales-tax proposal while under discussion in March and April of this year in the House of Representatives.

The VICE PRESIDENT. Without objection, it is so ordered. The editorials are as follows:

[From the St. Louis Post-Dispatch, March 7, 1932]

AN UNDEMOCRATIC TAX BILL

The sales tax, which is depended upon to contribute $595,000,000 of the estimated $1,100,000,000 by which Federal revenues are to be increased by the new tax bill, is far from popular.

The basic flaw in the scheme is the failure of the bill thoroughly to explore the upper brackets of the income tax for funds before a general sales tax, which will increase the cost of living, is imposed upon the country. If we are going to have a sales tax, then it should by all means be balanced by greatly increased

surtaxes. During the World War the surtaxes went as high as 60 per cent. We are at war now with a vastly greater foe and one much nearer home. Yet Congress is still proposing to stop surtaxes at 40 per cent. Its excuse is that higher taxes will encounter diminishing returns.

Nevertheless, since the range of the income tax is to be lowered to include many persons of small means heretofore exempt, it should be raised in proportion as a matter of principle. Common decency will be revolted by the spectacle of a tax bill that hits the poor man with a sales tax and higher income taxes, while letting the rich man off with a mild increase represented by a top surtax of only 40 per cent. We should at least make the people in the upper brackets say they have not got the money before we attempt to collect taxes from the people we know have not got it. Congress would be in a much happier position if it went as high as 80 per cent upon all incomes over $10,000,000. Increasing the estate tax to 40 per cent, and placing a 30 per cent tax upon gifts in excess of $100,000, are much fairer provisions than the income-tax schedule.

In his article on The Country's Plight—What Can Be Done About It, Charles G. Ross said in the Post-Dispatch of November 29, 1931:

"The various tax proposals coming before Congress may be grouped under two heads. On the one side are those which would broaden the tax base and on the other are those which would use the taxing power for the double purpose of raising revenue and breaking up, to some degree, the vast accumulations of wealth revealed by the income-tax statistics. The drive is already under way for a general sales tax or a 'selective' sales tax. A sales tax is the income tax in reverse. It is large or small, according to the amount consumed by the taxpayer; the income tax, called by economists one of the fairest taxes ever devised, is large or small according to capacity to pay. A sales tax bears inequitably upon persons of small means; as Prof. E. R. A. Seligman, of Columbia University, has testified, it 'sins against the cardinal principle of equality in taxation.' The fight for or against a sales tax brings into head-on collision the opposing theories of government which have been mentioned. The tax is advocated at this time, manifestly, in an effort to avert higher levies on the rich."

Some notion of how a sales tax of 2.25 per cent on manufactured products will be received may be gained from what is happening in some of the States. Down in Kentucky a protest against a sales tax took the form last week of a mob invasion of the governor's mansion. It is unfortunate that Government economies can not ameliorate the condition more than seems possible. The Government Budget is overloaded with waste. Millions could be saved by limiting veterans without dependents to $25 a month each while they are in Federal institutions, soldiers' homes, or veterans' hospitals. The appropriations for both the Army and the Navy are too large; but with a scant hope of any great achievement at Geneva and with the war in China, it is unlikely that either can be pared. There would, however, be virtue in the proposed consolidation of the Army and Navy under a single head. The feeling about these service funds is very strong in Congress.

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However, it is the cost of war, past, present, and to come, that takes most of the Government's revenues. Mr. Hoover places the share of Mars as high as 70 per cent of every dollar that the Government receives. The veterans of the last three wars take more than a billion dollars a year out of the Treasury. War has become a much greater economic factor all over the world than is generally recognized.

The bill does not tax food, * * * but it is still a renunciation of everything for which the Democratic Party * * * is supposed to stand.

[From the New Republic, March 16, 1932]

The Democratic-Republican tax bill is a disguised attempt to saddle the Government deficit as little as possible on the rich and as much as possible on the poor. By placing a so-called "manufacturers' tax" of 2¼ per cent on every article produced except foods, books, magazines, and religious goods, it will levy at least 2¼ per cent on a large part of every consumer's income. The man who makes $500 or $1,000 a year will have to pay this tax as well as the man who makes $100,000. How outrageous this is may be realize when we remember that even those in the lowest brackets subject to income tax will be charged, in that tax, only 2 per cent on their net incomes. If the bill had honestly gone about its purpose, it would have abolished all exemptions to the income tax and would have charged everyone a minimum of 2¼ per cent on his earnings, allowing, say, a 40 per cent deduction for food expenses to those with net incomes below $2,000. But, of course, no Congress could do this and still represent itself as interested in the welfare of those who are too poor to get along as it is. So the levy is disguised. A real "manufacturers' tax" would have raised the rate on corporate profits from 12 per cent, not to 13 per cent as in this bill, but to 15 or 20 per cent. This tax, not being paid by those companies which make no profit, could not so readily be passed along.

[From the Washington Daily News, March 19, 1932]

THE TAX VICTORY

In one of the most dramatic and unexpected political revolts in years the House of Representatives yesterday overthrew the combined Democratic and Republican machines in a fight on the tax bill. The rank and file Representatives raised the normal income-tax rate from 6 to 7 per cent on all incomes over $8,000, and jumped the maximum surtax rate from the proposeed 40 per cent and the present 20 to the war-time figure of 65 per cent. The vote was 153 to 87—almost 2 to 1.

Party lines were broken. The administration and the Garner-Rainey-Crisp Democratic dictatorship, using all their power in a reactionary defense, were unable to prevent higher taxation of the middle and wealthy classes. This bill puts a sales tax on the poor man's shoes, clothing, and necessities, but touches only lightly the upper bracket incomes. Yesterday's vote corrects the income-tax injustice. The direct fight on the general sales tax is ahead.

But opponents of the general sales tax, which would hurt consumers through higher prices and hurt business by slowing down sales, have won half their battle. For the Democratic-Republican machine leaders, in trying to put over the general sales tax, have admitted its injustice but argued it was a necessary evil. They claimed there was no other way to cover the $600,000,000 remaining Federal deficit. Now, by increasing the income and surtax rates, the House has provided an estimated $250,000,000 or more.

That leaves about $350,000,000 of deficit uncovered. But the House by applying to estate taxes the same just principle it applied yesterday to incomes can provide double the amount needed—though receipt of the cash would be delayed a year. The Joint Committee on Internal Revenue Taxation, which is the official counselor of Congress on revenue, reports that taxation of estates—after allowing a $50,000 exemption—at the same rates as incomes under the pending bill would produce an additional $714,000,000.

The Republican-Democratic machine is not willing to put such a burden on large estates. But the House rank and file, who have just insisted on taxing large earned fortunes, should be able to see the unfairness of allowing large unearned fortunes to escape a commensurate part of the tax burden in this national emergency.

If the House is determined to protect great fortunes at the expense of the consumers and the business men dependent upon trade revival, it at least can restrict its sales tax to luxuries and semiluxuries.

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[From the Washington Daily News, March 22, 1932]

WHAT EXPERTS SAY

It might be assumed that the leaders of the House of Representatives acted upon expert advice when they wrote their vicious general sales tax bill. Search of the record fails, however, to reveal the opinion of one outstanding fiscal expert inside or outside of Government circles who was whole-heartedly for this basic change in the American tax system. If there are any such experts their number is small.

No later than December 14, Ogden Mills, then Under Secretary, and now Secretary of the Treasury, said that the Treasury Department had rejected the general or turnover tax "not only because it bears no relation to ability to pay and is regressive in character, but because of the enormous administrative difficulties and the almost inevitable pyramiding of the tax in the course of successive sales."

Again on March 1[illegible] Mills said: "I happen to be one who in the past has not favored a sales tax. I prefer a tax system consisting of a progressive tax on individual incomes with a broad base, a corporation income tax, an estate tax, customs duties, and a selective group of excise taxes." Now he merely says the Ways and Means sales-tax plan is "acceptable."

Under Secretary of the Treasury A. A. Ballantine is quoted as having denounced the general sales tax as "essentially unjust" and "grossly discriminatory."

E. C. Alvord, Treasury specialist, was asked in committee hearings by Representative CRISP whether as an American citizen he favored the general sales tax. He replied: "At the present time, no, sir."

Dr. Thomas S. Adams, of Yale, a committee witness, thought the system in Canada a success, but admitted he had not talked with Canadian farmer, labor, or consumer groups.

Economists have been almost unanimous in opposing indirect taxes upon the people's needs. For instance—

Adam Smith in his Wealth of Nations: "Tax on the necessities of life operates exactly in the same manner as a tax on the wages of labor."

John Stuart Mill: "Exclusion must be made upon all taxes on commodities, necessities of life, or on materials or instruments employed in producing these necessities. Such taxes are always liable to encroach on what should be left untaxed—the income barely sufficient for healthful existence."

Prof. E. R. A. Seligman, of Columbia: The sales tax "sins against the cardinal principle of equality of taxation."

Dr. William J. Schultz, financial economist for the National Industrial Conference Board: "The supreme drawback to a Federal sales tax would be its social injustice."

Dr. John R. Commons, president of the Consumers League and Wisconsin University economist: "A sales tax reduces the purchasing power and welfare of the millions of low-paid consumers. It is a tax exactly reverse to the better principle of ability to pay."

Dr. John Dewey, of Columbia: "A sales tax is governmental blackmail on hunger and small earned incomes."

The National Industrial Conference Board report of 1929; United States Chamber of Commerce committee on Federal taxation; organizations representing upward of 50,000,000 farmers, union workers, consumers, and retail men, all oppose the sales-tax principle.

Even former Secretary of the Treasury Mellon did not propose a sales tax. When approached upon it last September, Senator REED, after an hour of argument with him, admitted that Mellon "was not so keen for it."

[From the St. Louis Post-Dispatch, April 5, 1932]

THE SENATE AND FEDERAL TAXES

It is encouraging to learn that the Senate, while favorable in the main to the Federal tax bill passed by the House, is disposed to correct its inequalities.

The House did very well until the powerful influences which usually control it began to make themselves felt. As a result the House completely reversed itself in the matter of surtaxes in the upper brackets. First adopting the Swing resolution carrying these rates up to 65 per cent, it at last weakened and returned to the Treasury's 40 per cent top.

Since higher surtaxes could not hurt anyone unable to pay them, it is fair to assume that it was the fear of dwindling campaign contributions that at last drove the House from its position.

Thus did the system which Professor Taussig says rules the country reassert its power to escape its proportionate share of the tax burden. It may be debatable whether the great incomes are capable of producing more revenue than the Treasury says they can produce; but the numerous excises which have been voted could have been imposed with much better grace had the House first demonstrated its willingness to tap the great fortunes which favorable governmental policies have permitted their possessors to acquire.

On the whole, however, the common man has gained more by the bill than he has lost. It is infinitely to be preferred to the program which was originally advanced by the Treasury. The administration proposed, for instance, to obtain only 9 per cent of the amount necessary to balance the Budget by reducing expenditures; 8 per cent from the taxation of corporations; 14 per cent through taxes which would fall primarily on wealth; and the great majority, 69 per cent, by taxing general trade.

The final House bill, by contrast, proposes to raise 16 per cent of the required funds by cutting appropriations; 13 per cent by taxing corporations; 30 per cent by taxing wealth through higher income and estate taxes, gift taxes, luxury taxes on jewels, furs, yachts, and the like, the reduction of capital-loss deductions, and the taxation of dividends; and only 41 per cent by lowering income-tax exemptions, raising postal rates, and imposing excises on admissions, cosmetics, soft drinks, candy, telephone and telegraph messages, automobiles, radios, and other articles of common consumption which fall most heavily on the masses.

The bill, moreover, is vastly superior to the measure which the Democratic-Republican coalition in the Ways and Means Committee attempted to wish upon the country. The general sales tax has been killed by a decisive vote of 235 to 160. The selective levies which have been imposed in its stead will not be greeted by the public with enthusiasm. But that is precisely why they are to be preferred. These nuisance taxes will unquestionably be repealed as soon as the fiscal emergency has passed.

Their unpopularity is a guaranty of their temporary character. The great threat of the general sales tax was that it would become so hidden in the price structure that it would arouse no serious complaint. The ultimate destruction of income and inheritance taxation and the substitution of extended sales levies would have become only a matter of time. The general sales tax was an entering wedge for the eventual abolition of progressive taxation. Its defeat should be cause for general rejoicing.

* * * * * * *

Mr. SHIPSTEAD. Mr. President, I desire to enter a motion to reconsider the vote by which the amendment of the junior Senator from Nebraska [Mr. HOWELL] was rejected. That amendment would have limited the check tax to bank checks of over $5.

The VICE PRESIDENT. The motion to reconsider will be entered.

Mr. BULKLEY. Mr. President, I wish to enter a motion to reconsider the votes which were taken on the following amendments:

Amendment relating to second-class postal rates, on page 310, line 17;

Amendment relating to tax on matches, on page 253, line 7;

Amendment relating to abatement of excise taxes, on page 248, line 13; and

Amendment relating to effective date of Title IV, on page 264, line 14.

The VICE PRESIDENT. The motions to reconsider will be entered.

Mr. HAWES. Mr. President, it seems to me the Senate should understand and the country should understand that the proposal of the Senator from Massachusetts [Mr. WALSH] is not a general sales tax plan. If it were, I would not support it. It is limited in its application. It has certain exclusions which have been described.

But the matter that I desire to present particularly to the attention of the Senate is this: I have been informed, and have relied upon the information, that when the Senator from Massachusetts introduces his amendment or substitute, an amendment will be offered carrying with it what we may call the Connally income-tax rates; that the two will go together; that we will have an opportunity to vote to raise the income taxes to the amount of approximately $100,000,000 a year; and that the proposal of the Senator from Massachusetts will provide an income of $345,000,000 a year, the total increase in revenue coming partly from incomes and partly from the manufacturers' sales tax. Such an increase in revenue will certainly balance the Budget. To-day no one knows whether the measure before the Senate will do that or not. On yesterday a change of one vote on the tax on checks would have made a difference of $95,000,000 in the revenue-raising program of the committee. A motion has just been made to reconsider that vote, and one additional vote will strike from the committee's program $95,000,000.

It has been stated here that there will be long delay because the House will not accept the manufacturers' license tax plan. Let us remember, Mr. President, that the Speaker of the House, the minority leaders in the House, and the majority leaders in the House, all supported in substance this plan. When the House voted it was not confronted with an option. Since that time Members there understand the situation.

It has been stated here to-day, with some vehemence, that the House would not change its position. I think I can say, Mr. President, with equal certainty that the House will change its position; that there will not be unreasonable delay, and the country should know that, in accepting the proposal of the Senator from Massachusetts, there is coupled with it the income-tax rates suggested by the Senator from Texas.

Men may predict what the other House will do, but each of us has an equal right to make his own predictions, and it is my opinion that if the Senate shall adopt this compromise, embodying the manufacturers' license tax amendment and the income tax provisions of the so-called CONNALLY amendment, that action will be supported by the House, because I know it will be in response to an almost unanimous national and universal sentiment.

The VICE PRESIDENT. The question is on the amendment of the Senator from Washington [Mr. DILL].

Mr. SMOOT obtained the floor.

Mr. TRAMMELL. Mr. President, I suggest the absence of a quorum, unless the suggestion shall interfere with some other plan the chairman of the committee has in mind.

The VICE PRESIDENT. Does the Senator from Utah yield for that purpose?

Mr. SMOOT. I yield.

Mr. TRAMMELL. I suggest the absence of a quorum.

The VICE PRESIDENT. The secretary will call the roll.

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

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

The VICE PRESIDENT. Eighty-five Senators having answered to their names, a quorum is present. The question is

on the amendment offered by the Senator from Washington [Mr. DILL] to the House text.

Mr. DILL. Mr. President, the amendment which I have offered proposes to amend the House text by changing one-fourth of 1 per cent to one-eighth of 1 per cent, so that the tax on stock sales will be exactly the same as the fee the broker receives on such sales. I think that is a very small tax; in fact, it is so small that I can not see why anybody should object to it.

I hope that the amendment may be adopted; and if it shall be adopted, then I shall ask that the Senate committee amendment, beginning on page 274, line 14, be disagreed to and also the amendment on page 273 which relates to the imposition of this tax.

Mr. NORRIS. Mr. President, let me ask the Senator what about the committee amendment?

Mr. DILL. The committee amendment, as I have said, should be disagreed to if my amendment shall be adopted.

Mr. SMOOT. Mr. President, the object I had in voting to strike out the provision in the House text at this point was because I think a tax of one-fourth of 1 per cent is too heavy a tax on the shares of mining companies, particularly of the West, many of which sell for 4 cents and 5 cents, and most of which sell for a price under a dollar.

Mr. DILL. Mr. President, will the Senator yield?

Mr. SMOOT. Yes.

Mr. DILL. Striking out this provision will not remedy that; the 4 cents a share tax is still in the bill. That must be remedied by another amendment. The remedy for the situation of which the Senator complains is not by striking out the provision of the House text beginning in line 14 on page 274, but by amending the provision imposing a tax on future sales. That is the provision which I think the Senator has in mind. The only way to protect the low-priced mining shares of the western section of the country is simply to provide that no transfer tax shall exceed one-eighth of the selling price, and I intend to offer such an amendment as I have indicated, whether my amendment now pending shall be agreed to or not, because I want to protect such low-priced shares.

However, the amendment now pending changing one-fourth of 1 per cent to one-eighth of 1 per cent provides a tax of exactly the same amount as the brokerage fee which everyone pays if he buys stock on the stock exchange. I do not understand under what theory the Senate will levy a tax upon business of this country and not levy a tax on stock sales equal to the amount of the brokerage fee.

Mr. SMOOT. Mr. President, I hope the amendment will not be agreed to, and I should like to have the yeas and nays on it.

Mr. DILL. Let us have the yeas and nays.

Mr. WHEELER. Mr. President, I do not know whether or not the Senator's amendment will reach this matter, but surely there is no reason why we could not put a tax upon the sales made upon the stock market. Of course, we would not be able to reach a transfer of stock where the stock certificate was signed in blank and was passed on from one individual to another. We might not be able to reach that, but surely we can reach every transaction that is made upon any stock exchange in the United States by putting a tax on it. It seems to me there can not be any question about that; and we can put on the same identical tax that the stockbrokers charge as a commission at the present time.

Mr. BLAINE. Mr. President, as I understand, the Senate committee amendment reduces the revenue below the House proposal $68,000,000. I think that is correct.

I do not intend to debate this matter, but I do want to call to the attention of the Senate the information that has been brought to Congress by Congressman LAGUARDIA, of New York. That is found—if any Senator or anybody else desires to read it—in the CONGRESSIONAL RECORD of May 21, 1932, beginning on page 10864, wherein Congressman LAGUARDIA discloses that Mr. Whitney, the president of the New York Stock Exchange, falsely, no doubt deliberately, misrepresented this proposition before the Finance Committee of the Senate.

I desire to read just this one paragraph from Mr. LAGUARDIA's remarks before the House:

> Now, gentlemen, I submit that the tax in England is five times what we propose on a $200 sale, and proportionately larger on other stock transfers. Responsible officials of the New York Stock Exchange appeared before the committee and only disclosed one of the three taxes applicable to the transaction on the London Stock Exchange. It is not only startling and shocking, but it is something which should not remain uncensured.

Mr. COSTIGAN. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from Colorado?

Mr. BLAINE. I yield.

Mr. COSTIGAN. Is my recollection correct that Congressman LAGUARDIA, in the same connection, caused to be placed in the CONGRESSIONAL RECORD a stock-transfer tax table supporting his statements?

Mr. BLAINE. Yes. The table, which appears on page 10865, shows, for instance, that on stocks selling at $100 per share the British tax is $1, while the Finance Committee's proposal is only 4 cents. I am using that by way of illustration; but the table makes a comparison between the British tax and the Finance Committee's proposal.

Mr. COPELAND. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from New York?

Mr. BLAINE. I yield.

Mr. COPELAND. When the Senator spoke about Mr. Whitney's testimony, did he quote Congressman LAGUARDIA as saying that Mr. Whitney deliberately and falsely stated something?

Mr. BLAINE. I think Congressman LAGUARDIA presents very clearly that President Whitney did misrepresent the British tax when he discussed the question before the Finance Committee.

Mr. COPELAND. I want to say that Mr. Whitney might have been mistaken, but I could not conceive that Mr. Whitney—who is a man of known honor and integrity—would deliberately and falsely state anything, because my opinion of Mr. Whitney, which is shared by thousands of citizens of my State, is that under no circumstances would he deliberately and falsely state anything.

Mr. BLAINE. Mr. President, I am making no charge against President Whitney, but let me call attention to one or two facts which show the deliberation with which Mr. Whitney represented the British tax before the Finance Committee.

I will read that part of Mr. LAGUARDIA's remarks:

> The president of the New York Stock Exchange, Mr. Whitney, appeared before the Finance Committee, and in reply to a question as to the stock-transfer tax in England stated that he had the information, that he would supply the Senate committee with the information; and on April 18, 1932, he furnished the information—which will be found on page 1231 of the Senate hearings—sent it with a covering letter of that date, prepared a comparative statement of the tax in Canada and the proposed tax in the United States and the English tax.

That is, he went to his office and he must have done this under deliberation. It was not in the heat of excitement in testimony before the committee; but he prepared it in the form of a table and covered that with a letter to the committee.

Further quoting from Mr. LAGUARDIA:

> When he gave the English tax he submitted only what is known as the contract-note stamp tax, which is only 1 cent on stock transactions of $75 to $150, while the proposed House tax, coupled with the New York State tax, would be 41½ cents—

I am quoting from Mr. LAGUARDIA—

> By so doing he deliberately misrepresented the English tax, because he must have known, and his experts must have known—as they deal on the London exchange—that there were two additional taxes which were maliciously and willfully omitted from the table submitted by Mr. Whitney, the president of the New York Stock Exchange, to the Finance Committee of the Senate. He thereby led the Senate committee to believe that there was no stock-transfer tax and that the only tax was what is known as the contract-note stamp tax.

Then Mr. LAGUARDIA further shows that he took up the matter with the State Department. The State Department referred the matter to Ambassador Mellon. Mr. Mellon

sent a cablegram, and also there was a cablegram—as I recall, it was a cablegram—from the American commercial attaché of the London embassy, both of which communications clearly show that Mr. Whitney had misrepresented the British tax before the Finance Committee.

I am not going to discuss the matter further; but I think Mr. LAGUARDIA has well established his charge.

Mr. COPELAND. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Wisconsin yield to the Senator from New York?

Mr. BLAINE. Certainly.

Mr. COPELAND. I hold no brief for the New York Stock Exchange, nor for the New York superbanker. If ever anybody has spoken in set terms regarding them, I have. I can well understand, however, how in the maze of figures which were presented and considered by the Finance Committee, or by the Committee on Banking and Currency—because I sat there myself for two or three days as an interested spectator——

Mr. BLAINE. Mr. President, let me correct the Senator. This information which was prepared by Mr. Whitney was prepared at the request of the Finance Committee; and he sent that information in table form to the Finance Committee, covering the communication with a letter.

Mr. COPELAND. All right. Now, let me say further that Mr. Whitney might have been mistaken, and sadly mistaken; that the figures might have been muddled; but I do not believe that Mr. Whitney would willfully of malaciously mislead anybody. I think that if there are figures there which can be shown to be mistaken ones—and I am not qualified to speak—it was an honest mistake; and I resent any statement regarding Mr. Whitney that he would maliciously, willfully, falsely, or deliberately seek to deceive anyone.

Mr. BLAINE. Well, let us assume that he did not do it willfully or maliciously. He did give this information, however. There is not any question about that. It is not my purpose to attempt to convict Mr. Whitney. I call the attention of the Senate to this matter to point out that if the House text is defeated the Treasury loses $68,000,000, as I figure it. If the amendment proposed by the Senator from Washington [Mr. DILL] is adopted, the Treasury will receive $34,000,000 more than the Treasury would receive under the Senate committee amendment; and I understand that it was understood by many of the members of the Finance Committee that the proposal in the House bill was far in excess of the tax upon like transactions in Great Britain. I merely wanted to point out those facts.

Mr. COSTIGAN. To complete the information of the Senate, may I say to the able Senator from Wisconsin that the cablegrams about the British stock-transfer tax received from Secretary Mellon and the commercial attaché of the London Embassy are set out on page 10865 of the CONGRESSIONAL RECORD?

Mr. BLAINE. Yes. The evidence is set forth in the CONGRESSIONAL RECORD.

The VICE PRESIDENT. The question is on the amendment of the Senator from Washington [Mr. DILL].

Mr. SMOOT. Mr. President, does the Senator desire a yea-and-nay vote on this amendment?

Mr. DILL. I do not particularly care, Mr. President. I think it might not be fair to some of the Senators to take the vote at this time. This is a rather important item, and they might feel that they wanted to vote on it; and since it has been reconsidered once, there would be no chance to reconsider it again. I think it might be well to let the vote go over until Monday, if the Senator is willing.

Mr. SMOOT. I am sure one or two Senators who were called away from the Senate desire to speak on the subject. Therefore I should not like to have a vote upon the amendment at this time.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. SMOOT. Yes.

Mr. CONNALLY. I desire to suggest to the Senator that on Monday I hope to be able to propose a unanimous-consent agreement that the Senate, prior to discussing the sales tax and all the amendments to it, shall have a vote directly on the question of whether we are for or against a sales tax.

Mr. SMOOT. Before the discussion?

Mr. CONNALLY. Before the offering of all these hundreds of amendments that probably will be offered to the sales-tax amendment.

It does seem to me that the President, or whoever is responsible for this propaganda in behalf of the sales tax, ought to know right now that the injection of the sales tax is going to entail endless delay in the favorite pastime now of "balancing the Budget," about which we hear so much. The Senate Committee on Finance and the Senate have been working diligently, and, I think efficiently, in handling this tax bill. We are now practically through the tax bill; and it is a most unfortunate situation to have the proponents of the sales tax rush in here now and kick over the apple cart under the leadership of the White House.

Mr. SMOOT. I do not think the Senator ought to say that it is under the leadership of the White House. I hope the Senator will at least withdraw that statement until we actually know that it is so.

Mr. CONNALLY. I do not want to discuss this matter at length, Mr. President, but I shall refer the Senator to my authority. I just wanted to give notice that I desire to get a vote on the sales tax on Monday.

Mr. WALSH of Massachusetts. What is the unanimous-consent proposal?

Mr. CONNALLY. I propose to ask on Monday for a unanimous-consent agreement that we vote straight out as to whether we are going to have a sales tax or not.

Mr. WALSH of Massachusetts. After limited debate?

Mr. CONNALLY. Without going into the endless debate over the amendment, and what we are going to take out. Will the Senator from Massachusetts agree to that?

Mr. WALSH of Massachusetts. I certainly will. I will agree to anything that will expedite business.

Mr. CONNALLY. I make the proposal now, then.

Mr. SMOOT. Will not the Senator leave that until Monday? There are so many Senators away this afternoon that I hardly think it would be fair.

Mr. WALSH of Massachusetts. If the understanding is that it is to come to a vote, and there is to be limited debate, I will agree to it.

Mr. GLASS. There may be some of us away Monday who would like to vote now.

Mr. CONNALLY. Let us get the agreement. We want speed. I know the Senator from Utah wants speed, and I am trying to help him, and I hope he will not object.

Mr. SMOOT. I appreciate the Senator's cooperation.

Mr. CONNALLY. I ask unanimous consent that on Monday, after two hours' debate, the Senate take a vote on whether or not we shall have a sales tax——

Mr. WALSH of Massachusetts. No; take a vote on my amendment.

Mr. CONNALLY. If the Senator is going to insist on a vote on his amendment, that will mean that there will be hundreds of amendments offered prior to the vote.

Mr. WALSH of Massachusetts. The Senator is asking me to do what I could have proposed in the case of his amendment, not to have a vote on his amendment to put a tariff item in this bill. Of course, the Senator does not mean to do that.

Mr. CONNALLY. I am not trying to cut the Senator off, but my proposal was that we vote straight out on whether we shall have a sales tax or not. If we have it, then the Senator's amendment will be proceeded with and we will debate it.

Mr. WALSH of Massachusetts. Then the Senator is asking unanimous consent that we consider something that does not exist.

Mr. CONNALLY. I thought the Senator was in agreement.

Mr. WALSH of Massachusetts. I am in agreement upon voting on my amendment, which proposes a manufacturers' excise tax and limiting the time for debate on it. I am not in agreement with something that is intangible.

Mr. DILL. Mr. President, if the Senator would couple with his unanimous-consent request a request that in case the Senate voted for the Senator's amendment, and a motion was made to reconsider, as, of course, it could be reconsidered, it should not be subject to a motion to lay on the table, so that the debate might then continue. If that were done, then we would have a chance to go back and amend the bill.

Mr. WALSH of Massachusetts. Mr. President, may I make this inquiry of the Senator from Texas? If there is a majority in this Chamber that does not want the sales tax, when I offer my amendment a motion can be made to table it; and if there is a majority, the roll can be called and the debate ended. That is fair enough.

Mr. LA FOLLETTE. Mr. President, may I say to the Senator from Massachusetts that I know of several Senators in the Chamber who very reluctantly vote for motions to lay important matters on the table and cut off debate.

Mr. WALSH of Massachusetts. I was answering the Senator's proposal. He wants a vote on Monday on this matter.

Mr. CONNALLY. Mr. President, my proposal was that the Senate simply enter into a unanimous-consent agreement that we vote yes or no as to whether we shall have a sales tax. Then, if we decide to have a sales tax, we may take up the Senator's amendment and debate it and amend it.

Mr. COUZENS. That is entirely satisfactory to me.

Mr. CONNALLY. There is no sense in the Senate spending a week or two weeks' time debating a sales tax which the Senate is not going to adopt.

The Senator from Utah made some complaint to the effect that I suggested something about this drive under the leadership of the White House to turn over the apple cart which he has conducted so well along the highway toward a balanced Budget. I do not make that charge; but here is an Associated Press dispatch carrying a statement with reference to the gathering of newspaper publishers at the White House a few nights ago, in which it is stated:

> The sales levy was discussed from several angles, it was explained, including the possibility of using it as a possible lever for breaking the legislative jam of Budget-balancing measures on Capitol Hill.

Mr. SMOOT. All I had reference to was the statement the Senator made in relation to the White House forcing this question at this time.

Mr. CONNALLY. I shall say to the Senator that I firmly believe, from the evidence that has been presented, not only in the press but by the attitude of leading supposed White House spokesmen, that the White House is secretly and covertly urging the sales tax, while it has not the courage to come out in the open and say so.

Mr. SMOOT. I do not know anything about that.

Mr. CONNALLY. I am taking the responsibility.

Mr. SMOOT. All I can say is that I have never mentioned sales tax to the President, nor has the President to me. So I do not know how the President stands on it.

Mr. CONNALLY. I accept the Senator's statement; but the President knows he does not have to speak to the Senator about that matter, because the Senator wants to get this bill through.

Mr. SMOOT. That is what I want.

Mr. CONNALLY. If the President knows anything, he ought to know if he does not know, if he is in conference with any of his leaders on the Senate floor, that the injection of the sales tax at this time is going to entail a lot of delay, and that Budget balancing will not take place soon.

The senior Senator from Ohio [Mr. FESS] suggested this morning that he was at the White House, and that the President did not discuss with him the sales tax. Yet the Senator from Ohio believes that the President wants the sales tax, because he said so.

Mr. FESS. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield. I never refer to a Senator without according him the courtesy of an opportunity for immediate reply.

Mr. FESS. Mr. President, it is somewhat difficult for me to understand just what the Senator has in mind. When the newspapermen asked me about the sales tax and spoke to me about the President, wanting to know what the President's view was, I stated that it had not been discussed.

Mr. CONNALLY. That is correct; I so stated.

Mr. FESS. And then I gave it as my opinion that, in the choice between the sales tax and the high excise taxes, the President would favor the sales tax.

Mr. CONNALLY. That is what I said. I shall make it clear if I did not.

Mr. FESS. I want it understood that I am not giving any information which came to me from the President, for none came to me on that question; I stated only my opinion.

Mr. CONNALLY. Let me say to the Senator from Ohio that he must not have been paying close attention to the Senator from Texas—which, of course, the Senator from Texas deeply regrets—for the Senator from Texas said that the Senator from Ohio had been to the White House, and that the President had not said anything to the Senator from Ohio about the sales tax, and yet the Senator from Ohio said that it was his opinion that the White House preferred the sales tax to the excise tax.

Mr. FESS. Let it be understood that the opinion is not made up from anything that was said to me by the President.

Mr. CONNALLY. I tried to make that clear, because I quoted the Senator while I was looking directly at him, so that he would have an opportunity to correct me if I were wrong.

Mr. FESS. I do not think the Senator is wrong in that statement.

Mr. CONNALLY. Now, I want to answer the Senator from Utah. The Senator from Utah took issue with me because I said that the sales tax was being injected here under what I thought to be the leadership, or the suggestion, at least, of the White House. He says I am doing the White House a great injustice.

Mr. SMOOT. No; I said that as far as I know, the Senator is doing the White House an injustice.

Mr. CONNALLY. Well, so far as the Senator knows. Then what is the Senator from Ohio doing to the White House? He says that it is his opinion that the White House wants a sales tax instead of these excise taxes which the Senator from Utah and the rest of us have put into this bill. Is it any crime for the Senator from Texas to think the same as the Senator from Ohio, the chairman of the National Republican Committee, who was over at the White House in intimate contact with the President about the meeting of his party?

Mr. SMOOT. No——

Mr. CONNALLY. The Senator from Ohio feels that the President wants it, just as I feel that he wants it, because the Senator from Ohio has read in the public press that the President called into conference a great host of prominent newspaper editors from over the country. For what? To generate propaganda and to bring about pressure, through the propaganda agencies of the country, on Congress.

In that conference what did the President do? He brought up the matter of the sales tax. If he is against the sales tax, there would have been no occasion to bring it up, because it is not being pressed by the Committee on Finance, it is not being pressed by the Senate. The House has already rejected it. So, if the President brought up in his conference with newspapermen at all the questions of the sales tax, he brought it up in order to enlist their aid in driving it through this body. There can be no other inference from the fact. So I say that, like the Senator from Ohio, I believe that the President wants the sales tax instead of the excises.

I go further than that. I believe the White House wants the sales tax in preference to the income taxes offered by the junior Senator from Texas or the income taxes offered by the Senator from Michigan [Mr. COUZENS]. When we scratch down below the surface of this question of a sales tax, we find that its dominating force is an effort to get rid of the income tax. It is said it is a painless tax. Yes; it is painless and a hidden tax; but if the sales tax is once incorporated in the law, because it is painless and because it is unseen, the object will be to keep it on the people, while

from year to year and from time to time the high surtaxes are reduced. That is the motive power behind Mr. Mellon all these years in advocating the sales tax.

Mr. President, let us see what happened in the Finance Committee. The Secretary of the Treasury has never advocated the sales tax, at least not in the open. He came before the Finance Committee and said that he did not advocate it. He said he rejected it. He said that they had considered the manufacturers' sales tax. This is what Secretary Mills said when he first came before the committee. Here is what he said in the hearings:

> We considered a general sales tax, or turnover tax, and rejected it because of administrative difficulties, and because we considered it unsound in principle.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. BORAH. Did not the Secretary of the Treasury afterwards, in discussing different phases of the tax bill, justify what he called a manufacturers' sales tax and say that the only objection that they had had to it was the administrative matter?

Mr. CONNALLY. He was before the committee, I shall say to the Senator from Idaho, on a number of occasions, and I would not want to quote him from memory unless I had time to go through the hearings a little more closely.

Mr. BORAH. I was impressed with the thought that he modified the original statement he made. I may have been mistaken, but I came to the conclusion that the Secretary of the Treasury was leaning toward the sales tax.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. CONNALLY. Let me answer the Senator from Idaho, and then I shall yield.

My own opinion about that is that the Secretary of the Treasury has really in former years been absolutely for the sales tax. He has been for it, and probably is at heart for it now; but in making up the tax bill, back in December, it was not regarded as politically wise, probably, to include the sales tax. I am coming to the very point the Senator has in mind. I want to point out that Mr. Mills said:

> We decided to recommend, instead—

Instead of what? Instead of proposing a sales tax, the Treasury decided to recommend "a series of selective excise taxes."

That is what we have in this bill now.

Mr. JOHNSON. What was the date of that statement, please?

Mr. CONNALLY. This was on April 6, when the committee first began working on the bill.

Mr. WALSH of Massachusetts. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. WALSH of Massachusetts. A representative of the Treasury on the floor, who was present when this testimony was given, said that Mr. Mills was referring to the turnover sales tax, and not to the manufacturers' sales tax. I think it is just that this statement be made.

Mr. CONNALLY. Frankly, while I have respect for the representative of the Treasury, I would rather take Mr. Mills's own printed words than the vocal utterances of one of his representatives.

Mr. WALSH of Massachusetts. Will not the Senator read what went before what he quoted?

Mr. CONNALLY. I will read it all. The Secretary said:

> We considered the manufacturers' sales tax as exemplified by the Canadian law.

And he rejected it. That is the Senator's bill, is it not? That is what I am trying to make clear here.

He makes a distinction, however. He said:

> I want to make a very sharp distinction between the manufacturers' sales tax and the general sales or turnover tax. They are something totally different from the administrative standpoint, from the standpoint of pyramiding, and from the standpoint in many cases of incidence.

I do not want to read all of his testimony on this point. It is on pages 4 and 5 of the hearings. He did modify and show a little more leniency toward the manufacturers' tax, but he never came before the committee and gave his unqualified approval to a manufacturers' sales tax. If he did, I do not recall it.

The point I am making is that if the President of the United States wants a sales tax, why does he not send a message to Congress and say so? Why should he send his Secretary of the Treasury to tell the Finance Committee that they do not recommend the sales tax, but instead have recommended the excise tax, and then in a surreptitious manner, in a covert manner, seek to drive Congress into the attitude of adopting a sales tax through the manufacture of propaganda by these conferences at the White House with representatives of the press?

As I recall, the Constitution provides that the President of the United States shall advise the Congress from time to time with respect to legislation. The Constitution lays down the manner in which he shall make known to the Congress his views and his recommendations. He may make them known in person or in writing. I find nothing in that instrument which provides that the President shall proceed through agencies of propaganda, through newspaper pressure, through flattery, through flattering newspaper editors and others by calling them to the White House and making them realize their importance by being designated by the President to come to Washington to solve these questions and then going back home under the seduction of that flattery and undertaking to get Congress to do something which the President himself does not publicly and in an official way tell the Congress he wants done. I am protesting against this method of double dealing, on the one hand this method of seeming to be against the sales tax through the Secretary of the Treasury before the committee, and on the other hand this other method of seeking for political effect to drive the Senate into embracing the sales tax and then saying to the country, "We did not recommend it. We were not for it. Congress has adopted the sales tax and of course we have to accept the result."

Mr. COUZENS. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Michigan?

Mr. CONNALLY. I yield.

Mr. COUZENS. May I point out that the Finance Committee agreed upon what it wanted to present to the Senate. The next day the chairman had the Treasury Department come before the committee, represented by the Secretary, who had a typewritten sheet as to how to balance the Budget, and the committee accepted that. There was nothing there about a manufacturers' or any other kind of a sales tax. Is not that true?

Mr. CONNALLY. That is correct as I recall it.

Mr. COUZENS. There was no evidence before the committee that there was any indorsement of a sales tax, a general sales tax, or a manufacturers' sales tax, or a general excise tax.

Mr. CONNALLY. In reply to the Senator from Michigan, may I say that my recollection is in substantial agreement with what the Senator has said, that in the final so-called compromise, which was not a compromise at all, the Secretary of the Treasury appeared before the committee with a typewritten list of items which would be put back in the bill and of items that would be taken out, and there was no mention of a manufacturers' sales tax at all.

Mr. HARRISON. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Mississippi?

Mr. CONNALLY. I yield.

Mr. HARRISON. I think the Senator is absolutely correct, but I want to call his attention to what Mr. Ballantine, the Under Secretary of the Treasury, said on this question. He said:

> The general sales tax is grossly discriminatory. In so far as the tax can not be shifted, it is distributed according to gross income, which furnishes no measure of tax-paying ability.

Mr. CONNALLY. I thank the Senator for calling that to my attention. I have high regard for the Under Secretary of the Treasury, Mr. Ballantine, and for his views. I

want to take this occasion to say that he was of infinite assistance to the committee during its deliberations on this bill.

Mr. KING. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Utah?

Mr. CONNALLY. I yield.

Mr. KING. I hope the Senator, before he takes his seat, will comment upon the position of the American press. It has always pretended to be independent and yet we find representatives of the press going to the White House, either by invitation or by threat, and then immediately upon leaving the White House carrying on a propaganda such as indicated by the Senator. It seems to indicate that the American press lacks that independence which it has claimed in the past and which many of us would be glad to attribute to it.

Mr. CONNALLY. Let me say to the Senator from Utah that I have observed since being in Washington that White House food has a flavor which is much more tempting and seductive than that of the common herd. If a man is invited to the White House and puts his legs under the mahogany table along with the President, whether he be newspaper editor, public official, or private citizen, his backbone is frequently limbered up and his views are often much modified. [Laughter.]

Mr. GLASS. Mr. President, may I suggest to the Senator from Texas that the White House food tastes just as good to a United States Senator as it does to a newspaper publisher? [Laughter.]

Mr. CONNALLY. Oh, I said "public officials," which would, of course, include United States Senators. The Senator from Virginia must not have heard me, because I specified newspapermen and public officials and private citizens and said that White House food had a peculiar flavor and a seductive influence.

Mr. GLASS. I simply wanted to emphasize the fact that scrambled eggs and bacon at the White House do not taste any different to a newspaperman than they do to a United States Senator, and that there have been more United States Senators than newspapermen called up there.

Mr. CONNALLY. The Senator from Virginia evidently is a better judge of this matter than I am, because I am not accustomed to dining at the White House—and I do not mean to imply that he is. But he speaks with such positiveness about the situation that I accept his judgment. I do not think it makes any difference whether it is a newspapermen—and I tried to say that to the Senator—or a United States Senator or a politician or a public official or a private citizen. A little White House food bulges out their chests as well as their belts.

Mr. JOHNSON. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from California?

Mr. CONNALLY. I yield with pleasure.

Mr. JOHNSON. May I say to the Senator from Texas that we are about to take a recess. I beg him not to permit men like myself to leave here in a confused state mentally at the present time——

Mr. CONNALLY. That is impossible for the Senator from California.

Mr. JOHNSON. In a confused state mentally concerning the President of the United States, the Secretary of the Treasury, and the Under Secretary of the Treasury, I am utterly at sea, and with that intensity of desire to follow the President that is always mine, I want to be clear before we adjourn to-day, in order that my Sunday may be peaceful and may not be disturbed with thoughts of differences between or among those who represent our Government. First, I understand, from what the Senator has said, that the President has expressed no view upon this subject. But my friend from Ohio [Mr. FESS], after a visit to the President, out of the circumambient atmosphere, has grasped the opinion that the President favors the sales tax.

I gather as well that the Secretary of the Treasury, on the 6th day of April last, appeared before the Finance Committee and then, in terms that can not be misunderstood, expressed himself against the sales tax. Then, I gather from what the Senator from Mississippi said, that the Under Secretary of the Treasury, not to be outdone in the expression of opinion, in writing expressed himself as against the sales tax.

And now we have permeating the atmosphere of this Chamber, and of Washington, and the press generally, the idea that the administration is wildly enthusiastic for the sales tax. Will the Senator set at rest the minds of some of us so our Sunday may be at peace, as we desire, on the question of what is the fact, to be accurately informed, notwithstanding this vicarious responsibility under the present administration?

Mr. CONNALLY. I shall say to the Senator from California that I should be glad to reveal the real situation, and if I were as close to the White House as is the Senator from California I might be able to do so. [Laughter.]

Mr. GORE. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Oklahoma?

Mr. CONNALLY. I yield.

Mr. GORE. Does the Senator from California think that the Senator from Texas or anybody else could tell him to-day what the President's views will be to-morrow?

Mr. CONNALLY. Mr. President, let me say to the Senator from Oklahoma that we are not concerned with what his views may be to-morrow. We are trying to find out what his views are to-day.

Mr. GORE. I was sympathizing with the distress exhibited by the Senator from California, which I believe can not be assuaged by any prophet, here or elsewhere.

Mr. JOHNSON. Mr. President, you see what Sunday means to those of like views. [Laughter.]

Mr. CONNALLY. Mr. President, the thing I want to suggest to the Senate is that if the President really wants the sales tax he should have the courage—and we hear a good deal of talk from the White House about courage in other people—to tell the Congress and the Senate that he wants the sales tax. But I object to the White House or any other agency of the Government sending the Secretary of the Treasury to the Finance Committee to oppose the sales tax and say that the administration is not for the sales tax and then through methods of propaganda and through covert influences really urging the sales tax and wanting to force the sales tax upon the Senate by political pressure and by pressure of public opinion.

The Senator from Ohio [Mr. FESS] says that he believes the President favors the sales tax. Where did he get it? I think when the Senator from Ohio went to the White House he knew before he went, or believed before he went, that the President was in favor of the sales tax; but I accept the statement of the Senator from Ohio that the matter was not discussed at all. Still the Senator from Ohio believes that is the view of the President.

Mr. FESS. Mr. President——

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Ohio?

Mr. CONNALLY. I yield.

Mr. FESS. If all utterances of Senators were confined to that kind of statement, there would not be so much confusion; but what is to be the interpretation when a friend like the Senator from California [Mr. JOHNSON] makes the specific statement that when the Senator from Ohio goes to the White House and then comes out he is convinced that the President is for the sales tax? I think the Senator from California is fair enough, when I state that the matter was not discussed and that what I said did not come from the White House, not to make a statement of that kind.

Mr. JOHNSON. Mr. President, I am afraid the Senator from Ohio misunderstood what I said. I said the Senator from Ohio went to the White House, that he did not discuss the sales tax, that he came out of the White House, and then out of the circumambient atmosphere he acquired the opinion that the President is in favor of the sales tax. I can

not see that there is anything objectionable in an opinion being formed by the Senator—we might leave out the circumambient atmosphere and say it was formed in some other fashion.

Mr. FESS. My opinion as expressed and repeated here is wholly due to this situation. I think the sales tax would be preferable to a high excise tax, and I think that anyone who views the problem as I do would come to the same conclusion. I say that with no reference whatever to anything that I have ever heard the President state. I have assumed that between the two forms of tax the man who thinks as he does would favor the sales tax in preference to the excise taxes. That was the basis of my statement; it had nothing to do with my being at the White House last night.

Mr. President, if the Senator from Texas will yield to me farther, let me say if no one can go to the White House to consult about matters that are in his mind without having it alleged when he comes away that he stated that the President takes a certain view on a subject that is controverted here but which was not discussed, it is better that he should never go to the White House; otherwise the White House is brought into a discussion without any responsibility simply for the capital that might be made out of it by those who do not agree with the President.

Mr. CONNALLY. Mr. President, let me say to the Senator, in answer to his suggestion that Senators had better not go to the White House, for it is my observation that most of them who do go there get into trouble.

Let me state further that I undertook to be just to the Senator. I accepted his statement; I made no inference from it. I understood the Senator to say that when he went to the White House he believed the President was in favor of the sales tax, and I accepted the statement. The point I am trying to make is that the Senator from Ohio has been reading the same newspapers that the rest of us have been reading; the Senator from Ohio has been observing the same maneuvers the rest of us have observed; the Senator from Ohio has been listening to the Senator from Pennsylvania [Mr. REED], who is close to the White House, and to his advocacy of the sales tax; and the Senator from Ohio, thinking, as he says, like a normal man, reaches the same conclusion that the rest of us have reached, and that is that the White House, from the secretaries up, say that they are not for the sales tax, and yet they are covertly and secretly seeking to bring pressure upon Congress to make it swallow the sales tax, which it is not going to do.

Mr. JOHNSON. Mr. President——

Mr. CONNALLY. I yield to the Senator from California.

Mr. JOHNSON. Mr. President, I should not like to have any misunderstanding, and I would not do the Senator from Ohio any injustice, and have not sought to do so; but to understand exactly what the Senator from Ohio means is a little beyond me. If I had the intuitive ability of Reggie Fortune, Mr. Bailey's creation, or if I had the inductive power of Sherlock Holmes, then I could understand or ascertain exactly what it is that he intends to convey and could comprehend what has been stated as actually transpiring as related by him. It seems that the situation was that the Senator from Ohio thought when he left the White House and was interrogated by members of the press that the President thought like he thought; and so, both of them thinking alike, he reached the conclusion, as I gather now from what he has said, that he gathered the conclusion that the conclusion that he had concluded was concluded by the President to be the conclusion that the President would conclude of like character with him. [Laughter on the floor and in the galleries.]

The VICE PRESIDENT. The Chair will state that if there are any more demonstrations in the galleries he will order them cleared, including the press gallery as well as the others.

Mr. LEWIS. Mr. President——

Mr. CONNALLY. Does the Senator desire me to yield to him?

Mr. LEWIS. I should like the floor.

Mr. CONNALLY. I shall conclude in a few moments.

The VICE PRESIDENT. The Chair is going to hold hereafter that a Senator can yield only for a question.

Mr. CONNALLY. Mr. President, that is satisfactory to the Senator from Texas.

Mr. President, anyone who knows anything knows that the House of Representatives rejected the sales tax by an overwhelming vote. Any Senator who will now investigate the situation in the House will find that the House is not going to reverse its attitude, for many reasons. One of those reasons is that they have had a roll-call vote. Members of the House are on record on this question, and they are not going to be put in the position of facing a record reversal of that vote.

Furthermore, the sales tax, according to my view, has not a majority vote in the Senate. So why take up a week or 10 days or 2 weeks of the time of the Senate discussing a sales tax when it has no chance whatever of adoption? I do not propose to go into the merits of the sales tax. I am not going to support it, and I have not supported it in the past. Mr. President, the White House, the Senate leaders, and everybody else who wants the Budget balanced ought to forego presenting this question at this time.

While I am on my feet, Mr. President, I want to say that the charges against the Senate and the references to a legislative jam in the Senate are unmerited and unworthy of the sources from which they come. The Associated Press dispatch with regard to the newspaper conference at the White House speaks about the "legislative jam" and the delay in the measures to balance the Budget on Capitol Hill. There is no jam here. The Senator from New Hampshire [Mr. MOSES] very truly said on yesterday in this Chamber that the Senate had conducted the consideration of this bill more expeditiously and with less consumption of time than was the case in relation to any revenue bill that had been considered while he has been a Member of this body. The Senate has been working, as Senators know, many nights until 10 o'clock, working anxiously, vigorously, energetically, pushing this measure, and it is unjust for these charges to come from the White House or from anywhere else.

If the President wants speed, let him withdraw the agencies which he is setting in motion to propagandize the Senate and to try and bring pressure on the Senate to spend weeks and perhaps months in discussing an amendment proposing a sales tax, which tax will never be adopted by this body.

Mr. LEWIS. Mr. President, in these addresses on the tax we are hearing I have been aroused to the serious import of the meeting of the distinguished members of the press, summoned to a gathering at the White House by the President. Sirs, it is the privilege of the President of the United States to invite any person he chooses to the White House, either as a personal guest or as a guest of the public bureau known as the White House; but, Mr. President, when such invitations are extended to gentlemen who are supposed to mold the public opinion of the country, and who are individually rarely or never invited in their personal capacity to make a visit to the President in anywise whatever, we are aroused to inquire what is the object, where the hidden design, and what is the purpose. Let us reflect that many of the editors whose presence is demanded are those whose politics, it is well known, is in opposition to that for which the administration stands and often to all it represents; from this fact we can come to but one conclusion. That conclusion is that the President brought these molders of public opinion, these ambassadors of public thought, to the White House in order that he might use the power of his great office to influence their thought in behalf of that which he demands or by manner so to intimidate their situation as to obstruct their opposition.

Mr. President, there are two distinguished men who have been Presidents of this Nation who lived in our lifetime and who declined to do the things that we have seen transpire lately—once in the case of the country press, what might be called a weekly press association, and then following in the case of the present daily press association. We dwell for a moment on the instant situation. I am able to say that

when such publishers and editorial gentlemen such as Colonel Knox, of the Daily News, of Chicago, formerly of the Manchester Union, of Manchester, N. H., and afterwards one of the representatives of some of the press of that eminent patriot and statesman, W. R. Hearst, and his great army of newspapers and periodicals—when such a man as Colonel Knox is chosen to be one of the captains in the management and receives the order to command these newspapermen to come from their homes and their business and assemble at the White House to receive the directions of the President of the United States, it must be that a situation of unusual character has been invoked against these gentlemen—the representatives of this newspaper citizenry.

Colonel Knox I know to be a man of eminence in his capacities, patriotism in his life, and the last man who would lend himself to aiding a form of official public pressure upon those who should have freedom of action and leave open to all America and to the world of public opinion the imputation that they were susceptible to be brought down by command by the President of the United States for obedience to orders as ancient kings did their courtiers and princes. We deplore the aspect presented similar to that vested in administration of kings—where if royal command were not obeyed the estates and the privileges of those of the royal dispensation were to be promptly revoked and the future of these underofficers deprived of the hope of reward.

Sir, two Presidents of the United States—one, Theodore Roosevelt, a distinguished Republican, and the other, Woodrow Wilson, a distinguished Democrat—were solicited to use this form of respectable bribery over the opinion of those of the press and to avail themselves of the thought that, in the emergency of the press, they would seek the favor of the Government, therefore as a bid for the favor would respond to whatever request was made, or, in the weakness of their character, would hesitate to dispute or refuse obedience to the demand. In this manner it is expected that the American editors are to become the servile servants of that royal and newly assumed arrogance on the part of those who call themselves the head of the Government; let us recall that these Presidents I name, upon reflection, upon the assembling of the gentlemen of the press, specifically did both Mr. Wilson and Mr. Roosevelt decline to allow conferences between himself and his fellow coadjutors to be confidential, taking the position that the treatise of the meetings being called for public uses were public property. These American Presidents—in the American spirit—treated all of the Americans of their country as entitled to know what was urged for them or as to them. This just position enabled the citizen to approve or oppose the demand of the President made through a misunderstanding of the conditions or because of being pressed to the action by the power of favored privilege.

Each of these Presidents I name declined to allow the impression to be left upon the public mind that, while these conferences were as to the legislation of the country, and touched the legislators who were creating the legislation, and that possibly embodied strictures upon these legislators and criticisms upon their conduct, there would be an order of secrecy put on the newspapermen. These Presidents would not give the character of a personal and private relation to the action—as the whole meet was in the relationship of gentlemen with gentlemen in private converse. Sirs, it is now known that Senators—Members of this body—were made the victims of specific discrimination, of criticism by the distinguished advisers of the White House and by the eminent President, but as to which and what confidence was so imposed and the bar of silence so fixed and erected that no reply can be made by these men who are under the charges. The world now knows that the secret whisper of the distinguished President or his directing political and financial captains charged inefficiency on certain Senators on the one hand, political obstruction by some, and personal wish to embarrass the President. To serve these purposes the designated Senators are charged with "jamming up" legislation in the Senate, defeating the immediate "balancing of the Budget," and refusing to cooperate with the President. That all this is committed as offenses to defeat the passage of the revenue bill and refuse relief to the people. Taking in all the press is left with the impress that the President measures any opposition, or opposing Senators, as deficient in capacity, and in character puny and contemptible. All of these things, we understand, were intimated to these eminent gentlemen of the press. Sirs, the object was that they should carry back the opinion of the head Executive of the Government; but these officers of the press can not speak freely of what was said of these men, which, if truly publicly reported, could give the legislators impugned the privilege and opportunity to reply, to answer the charge, to meet the indictment, to confront the malediction and their accuser. No; none of these just situations are to be allowed, but the legislators are to be fixed in the judgment of the public as unworthy the confidence of their constituents, and unworthy of the respect of their fellow citizens. This judgment is placed upon them by inference for some conduct in which, it is assumed, they have committed political sin, according to the estimate of the President. Or for the failure in some conduct which he regarded a virtue necessary to be adapted for the uses of the Nation.

Sir, if these conference are to be held pleasingly, let us say gratifyingly, let us admit, to all concerned from a social point of view, we approve wholly. But if they are to touch the public affairs of the Nation, there is no theory of American government that authorizes the sovereign power of any President to summon agencies of public opinion and there, sir, plant the seed of distinctive opposition to these men who are his coadjutors by which these who have been influenced shall move to the discharge of the task imposed, and by report and editorial reflect upon those who have never had a chance to defend themselves against the injustice of the imputation, but who are to be left before the country as unworthy the indorsement of their home fellow citizens or of the confidence of the Nation.

Mr. President, I will not assume that these gentlemen of the press are so weak in character, so menial of nature, that they must be influenced by this form of specious social bribery. I deny that because they are allowed the altitude of eminence of being able to sup with the President they become thereafter servile to serve the purposes that shall first distract the honest attention of their countrymen; then, sir, impress upon the public nature a want of confidence in their own public servants. Lastly, sirs, to discount whatever legislation the legislators may enact, of any nature whatever, as being something condemned secretly by the President, being reluctantly accepted during all the time of its operation as unworthy, and discounted of value on the assumption that the legislation were the result of legislators lending their offices to dishonorable theory and to the consummation of what would be injury to or destruction of their country.

Mr. President, when the time shall come in this Republic that a President of the United States, to carry out a purely personal pride in a political purpose or private object in financial legislation and to achieve either or all, he is by custom privileged to send for the press, and in secret conferences take up the disposition by the press of the matter and by these public agencies of the country express and indorse personal opinion of the President, all commandeered through a decree commanding silence and imposing confidential relation which bans it from being told to the country, but where it is to be expressed under the pencils of editorials of influence, and power over the legislative officials, we shall have lost the theory of the independence of the citizen on the one hand and the sovereign independence of the public servant on the other.

I invite you, sir, to the history of your land and its mother country; you must recall the fact that a great king once summoned the men who were the lieges and power of England. He sought to have them obey the order that went forth that they should not meet out upon the grounds called

later Runnymede, or the Farm of the Runny Land, and should not present a protest against the royal decree of their sovereign master. They declined to attend the assemblage that had for its purpose the controlling of their actions; and it was to rebuke this very object on the part of the sovereign and his audacious impudence that sought to smother these men to silence that they subsequently met and sent forth the defiance which took its form in what is now designated in history as the great chart of political rights, the Magna Charta.

Mr. President, some good friend ought to inform the President of the United States that these manner of men who come at his bidding, out of respect to the call, but who are soon set free and left in a position where they must act as the envoys of opposition against the representatives of the people, are likely, if there remains in them the manhood natural to their nature, if their character shall remain firm according to their inheritance of an American, are more likely to repudiate the purpose of the direction and to turn promptly to defeat the purpose and oppose the very theory and measure that is assumed by the Executive. He will find later that this form of character and manhood will say—and without regard to what may be the virtue in the proposal—that if the Executive shall inaugurate the practice that in its effect is to establish in the judgment of citizens of his home, where he lives, that this editor or publisher is to be hereafter recognized as an editor who has no independence, as a publisher with no opinion; one who will not support the private interests of his home, who will not protect the welfare of the locality where he resides; and that he is only to express that by which he is ordered to do by the President of the United States through using his great office to effect the object. This editor of independence and character will turn about to reverse any course, defeat any action, overthrow any conclusion attempted to be put upon him by such means. He will take such course as evidence of his manhood and that he might preserve his own personality and prove his worth in private character, and move to hold the respect he long has enjoyed from the community in which he resides.

Mr. President, it is now well known that the distinguished President of the United States expressed to these eminent gentlemen of the press his opinion that many of the Senators of the United States were unworthy of the trust they hold; that many were disobedient of the injunction that should be obeyed as their duty; that others were without the capacity to discharge their office, and that most of them had failed in patriotism. They are held out as a band of obstructionists, unworthy the approval of their countrymen and guilty of little less than treason to their Nation.

If this is the opinion of the honorable President, he has a right to that opinion. It is his privilege, sir, to hold that opinion of the body. But I sit as one of the Members of this body, as one of the American citizens permitted from time to time to speak to my countrymen, and I do demand that the President shall treat us as he will treat every other man, if he be a courageous man and a gentleman—as he is both—and that he will speak to our faces the accusation he wishes to make against us. I beseech him, as I do all his allies, that they will not say in the secrecy of a private undertaking that which brands us in some mark of unworthiness; that in whatever opinion of us shall be expressed the President shall not put the limitation of secrecy and characterize the proceedings as the private conversation between a host and his guests. Sirs, if before any people we are to be brought to the low level of the disdain by their countrymen, at least let us have the first opportunity to meet the false estimate placed against us and to refute the wrongful imputations laid at our door.

I summon the honorable gentleman who is President of the United States to the history of these two eminent predecessors of whom I speak, which will be found in the scrapbooks of the eminent secretaries of the Presidents and corroborated by the gentlemen of the press.

I, sir, conclude by bringing to the Chair's attention, as I do to that of the Senate, that there are many men who might have supported some view who when they understand they are to be driven to it in a manner unbecoming an American and that yielding to it would leave them in contempt by the people among whom they live—that they would be held forever in the disrespect of those for whom they speak. The servants of such quality would rather maintain their independence and keep the friendship of their friends and the respect of their constituency by opposing the very thing than to have it go out that they are accepting it under the whip and lash of power on the one hand or on the other by the fear of open, public slander of press that has been inspired by orders given in secrecy.

Senators, I ask, what is this body? Is this some committee that has been organized in America to hear the voice of the President in some indirect manner and to obey it while the crouched forms of its Members in Congress submit in a manner that renders them unworthy of the attitude and position they occupy here by the sovereign will of their American citizenship? Have we come to the point where we can fall so low that the great public of our country shall recognize that we have not courage beyond adopting, sir, the challenge thrown out by surrendering to it without either the courage of a man to resent it or the power of an exalted official to punish it?

I hope there will come often the conferences of the press with the President. I hope there will come often the opportunity of the President to confer with every member of the press. I trust they may enjoy his private hospitality as citizens, and likewise engage from time to time in exchange of views as the representatives of public welfare. But I pray God that there shall never be established by any man in that power the right to hold men who are the agencies of public opinion under secret ban, and through them to pour his malediction and condemnation against public servants, particularly—as is now the true situation—where we all are public servants who are his public colleagues. I hope that these ambassadors of the press may return to their homes, yet, under no form of influence, whip the independent opinion of the public representatives into disobedience of the needs of their own people, or violation of their own honest will. Since we trust the press and the editors we know that their sense of honor will not surrender to any source to any purpose which misrepresents to the constituencies, their public officials, nor dwindle into an insignificance these faithful and independent legislators—to reduce them to a station contemptible.

I pray that we will never again, at a critical time in this Government such as now, be compelled to have the world to see that the head officer of this Government summons the great voice of the press, that they might be called together in some form, in secret assemblage, pledged to silence, where they may record the animosity of our President to our official action or his political antagonism against his colleagues in the great administration, merely because of an independent view of their own in the fulfillment of their duty in behalf of their people, and the obedience to their solemn oath before their Almighty God.

I thank the Senate.

Mr. CONNALLY. Mr. President, I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks the press statement to which I referred in what I said earlier in the Senate. I think it just and fair that this statement should go in.

The PRESIDING OFFICER (Mr. FESS in the chair). Is there objection? The Chair hears none, and it is so ordered.

Mr. CONNALLY. I want to call the attention of the Senate to this portion of the statement:

During the parley—

That is, the parley at the White House with the editors of the country—

During the parley, it was added, there was a full discussion also of the general legislative situation, including the possibilities of a revival of the sales tax.

The sales levy was discussed from several angles, it was explained, including the possibility of using it as a possible lever for breaking the legislative jam of Budget-balancing measures on Capitol Hill.

This is significant:

It was known that the President expressed the view that if the sales tax came up for another vote in the House it would gain far more supporters than when it was rejected.

I submit that statement, and it is from the Associated Press. Mr. President, I am not attacking the press; I am defending the press. I am defending its integrity and its freedom. Why did the President suggest to these editors that if the vote on the sales tax should come up in the House again it would get more votes, unless that was the hope and the wish of the President? These editors did not suggest that to the President; the President suggested to the editors that "If we can get up the sales tax in the House again, we shall get more votes for it than we did before."

What was the purpose? Was that to insinuate into the minds of the editors the hope and the expectation that, as a result of their gathering, they should go back home and bring the pressure of their papers, the pressure of their influence, and the pressure of their views, upon Senators and upon Representatives, to revive the sales tax and to put it across?

Mr. President, the Senator from Illinois [Mr. LEWIS], in scholarly and brilliant fashion, has adverted to the practice of having conferences with the press in secret. The Anglo-Saxon race and its history have been enriched by the story of the struggle for the freedom of the press. We stand for the freedom of the press. But if the press is to allow itself to be muzzled, if it is to allow itself to become an agency of secret propaganda, if it is to participate in conferences about which it can not talk, and the results of which it can not reveal, then the press, instead of being a free press, is to become the secret and covert agency of a vicious system of propaganda and executive pressure to stifle the free processes of government under the Constitution.

We stand in this Chamber, not because we were selected by the President, not because we are courting the favor of the President; we are here because the people of the several States sent us here to discharge our functions under the Constitution of the United States, and when the President wants to make known his views to the Congress or to the Senate, he should follow the form set out in the Constitution and send the Senate a message stating his views.

I protest against this form of secret and silent manufacture of propaganda in an effort to array the country against the Congress, and by the cunning manufacture of inspired opinion to force the Congress to do things which neither its wisdom nor its patriotism approves.

(The Associated Press article submitted by Mr. CONNALLY is as follows:)

PUBLISHERS TO AID PRESIDENT'S PLANS—PLEDGE SUPPORT IN SETTING UP NETWORK OF RECONSTRUCTION COMMITTEES

Newspaper publishers who spoke at last night's conference with President Hoover were said at the White House to-day to have unanimously expressed approval of the setting up of committees in large cities similar to that under the chairmanship of Owen D. Young in New York, with the aim of helping business activity.

The President outlined a program for "reconstruction committees" of leading men. He stressed the necessity for cooperative action in this direction as a remedy for ailing business, it was said, and received from the publishers "unanimous expression of sympathy with the program."

During the parley, it was added, there was a full discussion also of the general legislative situation, including the possibilities of a revival of the sales tax.

The sales levy was discussed from several angles, it was explained, including the possibility of using it as a possible lever for breaking the legislative jam of Budget-balancing measures on Capitol Hill.

GREATER SUPPORT SEEN

It was known that the President expressed the view that if the sales tax came up for another vote in the House it would gain far more supporters than when it was rejected.

Between 25 and 30 publishers outlined their individual views and discussed conditions in their communities.

One of the President's secretaries, describing these talks, said "the dominant note was one of urging speedy action" for completing the legislative program.

There was a general expression of hope, he said, that there could be an early adjournment of Congress.

COLONEL KNOX DINNER HOST

Earlier, the publishers gathered at a meeting of their own. At a dinner given by Col. Frank Knox, publisher of the Chicago Daily News, definite suggestions were made for rallying the press of the entire Nation behind a drive for a speedy clean-up of pending legislation.

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 bill (H. R. 11362) to amend the national banking act and the Federal reserve act, and to provide a guaranty fund for depositors in banks, in which it requested the concurrence of the Senate.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States, submitting several nominations, was communicated to the Senate by Mr. Latta, one of his secretaries.

HOUSE BILL REFERRED

The bill (H. R. 11362) to amend the national banking act and the Federal reserve act, and to provide a guaranty fund for depositors in banks was read twice by its title and referred to the Committee on Banking and Currency.

EXECUTIVE MESSAGE REFERRED

The VICE PRESIDENT, as in executive session, laid before the Senate a message from the President of the United States, submitting several nominations of officers in the Marine Corps, which was referred to the Committee on Naval Affairs.

RECESS

Mr. McNARY. I move that the Senate take a recess until Monday at 10 o'clock.

The motion was agreed to; and the Senate (at 2 o'clock and 50 minutes p. m.), under the order previously entered, took a recess until Monday, May 30, 1932, at 10 o'clock a. m.

NOMINATIONS

Executive nominations received by the Senate May 28 (legislative day of May 9), 1932

PROMOTIONS IN THE NAVY

The following-named midshipmen to be second lieutenants in the Marine Corps, revocable for two years, from the 2d day of June, 1932:

Walter Asmuth, jr.	Julian G. Humiston.
James C. Bigler.	Cleo R. Keen.
Robert O. Bisson.	Roland O. Lucier.
Alpha L. Bowser, jr.	William B. B. Lyons.
George N. Carroll.	Ellsworth N. Murray.
Clarence O. Cobb.	Robert R. Porter.
Thomas J. Colley.	Paul J. Shovestul.
George Corson.	James G. Smith.
Robert L. Denig, jr.	Marvin T. Starr.
Hector de Zayas.	Forest C. Thompson.
William K. Enright.	Joseph Thompson.
Marion A. Fawcett.	Harvey C. Tschirgi.
Oscar A. Heinlein, jr.	Howard J. Turton.

SENATE

MONDAY, MAY 30, 1932

(Legislative day of Monday, May 9, 1932)

The Senate met at 10 o'clock a. m., on the expiration of the recess.

Mr. TYDINGS. Mr. President, with only a few other Senators in the Chamber at this time I dislike very much to submit a unanimous-consent request for the consideration of a resolution to obtain information from the Treasury Department. If Senators think it would be better to have more Senators present, I should be glad to yield to anyone to suggest the absence of a quorum.

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

Mr. KING. Mr. President, the Finance Committee has been in session for more than an hour this morning and it was still in session when I left the committee room a few moments ago. There were 20 members of the committee attending the meeting and they will be here very soon.

The VICE PRESIDENT. The clerk will call the roll.