HOUSE OF REPRESENTATIVES

FRIDAY, MAY 26, 1933

The House met at 11 o'clock a.m.

Rev. J. L. Meads, pastor of the First Baptist Church, Benton, Ill., offered the following prayer:

Earth from afar has heard Thy fame
And mortal man has learned to list to Thy name.

O Thou great God over all, we implore Thy blessing upon us. We pray Thee bless our Nation. Give us strong, virile men to meet with every issue, to solve every problem. Bless, we pray Thee, this gathering, these lawmakers, the Speaker, the Chaplain, every Member of this body. May Thy peace be upon them, O Lord, and may strength be given them—clearness of vision, serenity of spirit, complacency of soul, courage to face every issue. We pray Thee, O Lord, to bless our President and all men everywhere. Bless our Nation, Lord, and make contentment and peace be in the hearts and homes of all our people. Grant to lead us, O Lord, with Thy counsel. Forsake us not, lest we perish. We deplore our weakness. We confess our sins. We magnify Thy grace. We would extol Thy virtues. We would have Thy holy spirit indwell us. We pray Thee, O Lord, that whatever we do in word or deed we may do all to the glory of God, and eventually do Thou lead us to the homeland where, with the angelic hosts and spirits of the just made perfect, we may praise Thee more perfectly, world without end. Through Jesus Christ, our Lord and Savior. Amen.

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

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate disagrees to the amendments of the House to the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. FLETCHER, Mr. BARKLEY, Mr. REYNOLDS, Mr. COUZENS, and Mr. KEAN to be the conferees on the part of the Senate.

The message also announced that the Senate had passed with amendments the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes; insists upon its amendments; and requests a conference with the House thereon, and appoints Mr. GLASS, Mr. BULKLEY, Mr. MCADOO, Mr. WALCOTT, and Mr. TOWNSEND to be the conferees on the part of the Senate.

PERMISSION TO ADDRESS THE HOUSE

Mr. SHANNON. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. SHANNON. Mr. Speaker, in the proceedings of this House yesterday the Chairman of the Committee on the Judiciary [Mr. SUMNERS of Texas], made the statement that, although it is recognized by those familiar with legislative history in the House that the subject of the antitrust law and kindred laws has fallen as a matter of jurisdiction to his committee, and, although it was contemplated that the Judiciary Committee would test the jurisdiction of the Ways and Means Committee with reference to title 1 of the national industrial recovery bill, which proposes a suspension of the antitrust law, an understanding was reached whereby the Judiciary Committee would not test the jurisdiction with regard to title I in this particular instance.

The bill under consideration not only violates the rules of this House but tramples upon 40 years of Democratic Party declarations on the antitrust question. The enactment of this bill will mean the deathblow to antitrust laws of this country. In the future there will be only organizations of the big rich and those who receive doles at their hands. The chain system will be perfected.

I ask the Chairman of the Ways and Means Committee if he will not submit to this House an amendment striking from the bill all references to the antitrust laws. Or, if he does not wish to do this, I will ask him to permit the Members of the House to offer such an amendment.

The chairman has ample time before the completion of the bill, to assemble his committee for this purpose. If he does not grant this request, the membership of the House is denied the right to offer an amendment to the bill which would preserve the antitrust laws. Therefore, no matter how much good there is in the proposed bill, if one believes in principle that the antitrust laws should remain intact, he does violence to his conscience to vote for it in its present form.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. SHANNON. I yield.

Mr. VINSON of Kentucky. In regard to the question of jurisdiction, of course, I am certain that the gentleman from Missouri [Mr. SHANNON] recognizes that the bill incorporates revenue provisions and was properly referred to the Ways and Means Committee by the Speaker of the House under the rules of the House.

Mr. SHANNON. Yes; but the gentleman will concede that the gentleman from Texas [Mr. SUMNERS] questioned the jurisdiction.

Mr. VINSON of Kentucky. If the gentleman will further permit, it would be impossible, under the rules and customs of the House, to divide a bill into several sections for reference; that is, one section to be considered by one committee and another section by another committee. That is not done in the House.

Mr. COX. Will the gentleman yield?

Mr. SHANNON. I yield.

Mr. COX. It will be perfectly apparent to the gentleman by studying the bill which his committee reports that the title which raises the constitutional question to which the gentleman from Missouri is speaking in nowise related to title II and other titles of the provision which deal with the public-building questions.

Mr. VINSON of Kentucky. What would the gentleman do with reference to this bill if he were Speaker? How would he refer it?

Mr. SHANNON. I think there should have been a joint meeting on the subject and that the Committee on the Judiciary should have taken cognizance of it.

Mr. VINSON of Kentucky. Now, I would ask the gentleman this question: A bill in which he was very much interested, in which both the Judiciary Committee and the Committee on Ways and Means had jurisdiction of certain portions, namely, the beer bill, was referred to one committee. I did not hear the gentleman make any objection to the reference of that bill to the one committee.

The SPEAKER. The time of the gentleman from Missouri [Mr. SHANNON] has expired.

Mr. KELLER. Mr. Speaker, I ask unanimous consent that the gentleman's time may be extended for 5 additional minutes.

Mr. SNELL. Reserving the right to object, Mr. Speaker, it seems to me that as this is a part of the bill under consideration, we should get along and not take up too much time, although I am personally not going to object. I think we ought to take up the important business that we met at 11 o'clock to pursue.

Mr. DOUGHTON. Mr. Speaker, I object.

ARE THE BANKS OF OUR COUNTRY TO BE PERMITTED TO CONTINUE TO BORROW MONEY FROM OUR GOVERNMENT AND PAY IT OVER TO ENGLISH INSURANCE COMPANIES?

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Mr. O'CONNOR. Mr. Speaker, on Wednesday the House of Representatives passed Senate bill 1094, providing for the purchase by the Reconstruction Finance Corporation of the preferred stock, and so forth, of insurance companies. In the debate on the rule bringing the bill before the House (CONGRESSIONAL RECORD, May 24, 1933, p. 4109) I called attention to the public interest involved in providing funds to prevent the further failure of our insurance companies with the consequent loss to investors, policyholders, and employees.

I further pointed out the serious situation from a national business standpoint of our insurance going to foreign companies. Such a transfer of business has recently reached enormous proportions.

This insurance bill was patterned on the bill we passed early in this special session permitting the Reconstruction Finance Corporation to purchase the preferred stock of banks. I understand that in addition to the millions already loaned to banks by the Reconstruction Finance Corporation, a large amount of their preferred stock has now been purchased.

I earnestly supported both bills, but only today a situation was called to my attention which is shocking and should be corrected by the Reconstruction Finance Corporation or by legislation, if necessary. I refer to the fact that many banks, including some who have borrowed from the Reconstruction Finance Corporation, are placing their insurance with foreign companies.

I am informed that the following banks and banking firms in New York City are placing their insurance at Lloyds' companies, London (incidentally Lloyds pay no taxes to the United States for the privileges of doing business in this country):

	Annual premium
National City Bank and affiliates, New York	$200,000
Guaranty Trust and affiliates, New York	175,000
Corn Exchange Bank Trust, New York	69,000
Marine Midland, New York	100,000
Manufacturers Trust, New York	75,000
J. P. Morgan	150,000
Spire & Co	75,000
Brooklyn Trust	40,000
Kings County Trust	40,000
Goldman Sachs	30,000
Kuhn Loeb	75,000

Continental Bank & Trust Co., Chicago (General Dawes' bank), and this list can be substantially augmented I understand.

Besides the above New York City business, the premiums for bankers' blanket bonds of American banks and/or trust companies going to London annually aggregate about $10,000,000—and, indeed, many of the banks insured in London, while possibly not presently obligated to the Reconstruction Finance Corporation, since this institution was brought into being they have, undoubtedly, received aid from it.

If American insurance companies are to be protected, banks with national charters and possibly State banks should be compelled to insure with companies admitted to do business in the United States of America and paying taxes to the Government for the privilege of doing so. In other words, the banker should be content to keep the premiums on his banker's blanket bonds in this country since the purpose of such bonds is to protect depositors and/or stockholders, and with this being the case the premiums should be retained within the confines of the country.

It is a fact that the larger surety companies—the Aetna Casualty & Surety Co., Hartford Accident and Fidelity & Deposit, of which latter company President Roosevelt was formerly an officer and, indeed, exceptionally active in its management—are losing business daily to London.

In the New York Legislature of 1933, assembly bill no. 2335 was designed to penalize banks and trust companies and others sending their business to London. The penalty was 20 percent of the premium to be retained at the source and paid by the buyer of insurance to the State tax commission, a further penalty being 5 percent for any willful evasion, and a further 1 percent additional for each month the tax is unpaid.

That bill was introduced in the senate and passed that house unanimously, but in the Republican-controlled assembly the bill never came out of the rules committee. Incidentally, I understand that the Honorable Charles D. Hilles, Republican national committeeman from New York, is attorney for the Employers Liability Insurance Co. of London.

If bankers' blanket bonds were all placed in this country, insurance companies would be adding help today instead of laying it off so that any steps which might be fostered toward compelling banks to insure in this country with companies admitted to do business and paying taxes accordingly would be a step in keeping with the principles now being propounded by President Roosevelt of giving employment whenever possible.

NATIONAL INDUSTRIAL RECOVERY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; and pending that motion I ask unanimous consent that the time fixed for general debate be extended 1 hour, one half the additional time to be controlled by the gentleman from Massachusetts [Mr. TREADWAY] and one half by myself. The reason I ask that is that I have many more requests for time than I have been able to accommodate, and there are a great many members of the committee who will not be able to speak at all unless that request is granted. I hope there will be no objection.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the time for general debate be extended 1 hour, one half to be controlled by himself and one half by the gentleman from Massachusetts [Mr. TREADWAY]. Is there objection?

There was no objection.

Mr. HASTINGS. Mr. Speaker, may I inquire how much time there is for general debate now, including this 1 hour additional?

The SPEAKER. The gentleman from Massachusetts [Mr. TREADWAY] had remaining 1 hour and 35 minutes; the gentleman from North Carolina [Mr. DOUGHTON] 1 hour and 25 minutes; to which has been added by unanimous consent one half hour on each side.

The question is on the motion of the gentleman from North Carolina [Mr. DOUGHTON].

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H.R. 5755, the national industrial recovery bill, with Mr. LOZIER in the chair.

The Clerk read the title of the bill.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. FREAR].

Mr. FREAR. Mr. Chairman, I have never listened to a more complete explanation of the constitutional questions involved in any bill than that of yesterday, when the gentleman from Pennsylvania [Mr. BECK] discussed the bill we have before us today.

I am not going to speak on that phase of the bill. It would be useless after the fine exposition by our colleague [Mr. BECK]. If unconstitutional, there is a better way to test it, if this bill passes and it is put in force. It will be put in force immediately, of course, and then the courts will pass upon the many questions raised under the variety of purposes included in the bill.

I want to discuss briefly, however, one phase of the methods of taxation now included in the bill, because it is a great subject that would require much time to cover by argument on that single proposition. The bill is voluminous in character, and few Members, I assume, even of the committee, have a complete grasp of the entire bill. It was placed before us in its present form, with taxes to be

added, and inside of 2 days it was brought out here before you gentlemen. The committee stayed in session until 9 or 10 o'clock at night in efforts to expedite its consideration. Let me say in passing that the chairman of the committee [Mr. DOUGHTON] was very courteous to all of us, and one of the finest things said was when he paid a compliment to the Republican members, without distinction, as did some other members on the Democratic side, for our cooperation in trying to aid instead of stopping the wheels of progress while getting the bill before the House.

There were very few amendments accepted, you may be sure. We simply gave voice to what we had to offer, but I want to say that many avenues of revenue are possible in the taxation field outside of those which would be tapped by the proposal contained in the bill. Director Douglas offered 4 proposals, 2 containing a manufacturers' sales tax. Rather than swallow the latter I accepted the first combination, but agreed with Republican members who were opposed to that proposal for various reasons.

My one conspicuous objection is the additional tax on dividends found in the bill, and I speak not from personal influence or its personal effect. The tax on dividends placed in this bill just doubles the same taxes in amount which you now pay. The tax on dividends amounts to this: First the corporation exacts a tax. Next you as an individual pay on dividends received under the income tax law. Third, this further tax is an arbitrary third method of extracting the last part of dividends left, and a State law takes away any remainder. On $10,000 of dividends, if you are getting any dividends today, using this figure as an illustration, the present tax amounts to $630. Now, there is a tax placed upon dividends again beyond the corporation tax, which is a second means of getting cash; a triple tax comes from this next extraction method, and you will have to pay $630 more, or $1,260, on $10,000—if you get or, rather, had it. I am just developing this thought. If there is injustice in it at all, it is certainly gross in this case.

I suggested to the Director of the Budget, Mr. Douglas, when the committee was discussing the tax question that a tax of 2 cents be placed on cigarettes. Well, there was an immediate explosion in the committee, and naturally so, because we get great revenue out of tobacco taxes now, but heavy taxes on tobacco are also paid in foreign countries. As a matter of fact it is one of the largest, if not the largest single item of taxes from which they can get revenues abroad, and you pay 2 and 3 times as much for cigarettes there as we do here. For the same kind of cigarettes we get here for 10, 15, or 20 cents at the outside, there you pay as high as 50, 60, and even 75 cents, as I have paid. That was the highest amount paid, but paid in Moscow, and I was willing to get cigarettes at that, even though they were inferior cigarettes. It is said the tobacco grower does not get out of his products what he ought to get, and that is certain to be so, but it does not make any difference what tax you put on tobacco, the tobacco grower is affected, for it is the cigarette manufacturer who effects combinations to depress the tobacco market. They enter into combinations so that George W. Hill, president of the American Tobacco Co., is today making a claim for $2,500,000 for a 1932 salary and bonus. That suit is pending today in the Supreme Court of the United States, to determine whether he is entitled to $2,500,000 for 1932 as income and bonus. If you want to reach his racket, I say put a tax of 100 per cent on bonuses, so as to protect the innocent stockholder who sends on his proxy and who has no real voice in proceedings had at stockholders' meetings. That is one tax suggested. I will put into the RECORD a letter from the Secretary of the Treasury, who says this tax will bring in $100,000,000 a year, or an additional tax of 2 cents on cigarettes which today are selling from 10 to 12½ cents at the stores.

Another tax—and this is a reasonable tax—would be to bring all revenues on mail matter up to the level where the service pays for itself. We are running $200,000,000 behind in the Postal Department. Another would be to keep the 80 percent estate tax we improperly give to the States.

I want you to read my remarks, because I do not intend to go very far into this tax proposition here, but I think they will be interesting to those who care particularly for the constitutional phase of the question. I say that to the distinguished gentleman from Pennsylvania [Mr. BECK], who beyond question is the strongest and ablest constitutional authority in the House, for I am suggesting also what should be done in balancing the Budget, and what would be done under a dictatorship, as was prophesied by the gentleman as likely to occur in this country if we follow Russia and Poland and Italy. Let me say I spent 2 hours with General Pilsudski in Warsaw, and spent time with Chicharin Kalinin, the President, and other officials, and know the objectionable features of their dictatorships. Some of those who have been denouncing the American Congress through the press are people who do not realize what loss of confidence in the American Congress will mean to the American people if they follow the advice to take up a dictatorship. This is one of wide authority, but we are on our way; and though many support the President's request, others equally sincere are opposed.

Now, I do not want to go into taxation particularly in the brief time at my disposal. Mr. Chairman, I am just going to say a few additional words, because what I put in the RECORD will disclose the scope of my argument in regard to the manufacturers' tax. A gentleman sat right there yesterday, one of the ablest men, I believe, on your Democratic side of the House, and he paid me a compliment rarely had; never before, I believe. He said, "You are the only man who persuaded me to change my vote after I had agreed to the contrary and without ever speaking to me." I thanked him for it. It was because I placed in the RECORD last session an argument against the manufacturers' tax.

It is impossible to put such tax in force now. Tommy Adams—and I knew him as Tommy Adams because he was from my State and I helped to put him on the tax board of my State—he was the only man who appeared before the Ways and Means Committee last session to discuss a manufacturers' sales tax and he then stated it would be impossible to put such tax in force in 2 years. This is an emergency proposition for 1 year, and some of you gentlemen were with him and accompanied him on the train and spent 2 long days in Canada to learn all about the manufacturers' tax up there, together with the entertainment provided by the generous publisher who furnished the train and who, incidentally, runs a newspaper that eternally abuses the American Congress. Dr. Tommy Adams was one of the best-posted men to be had on taxation. He represented the Treasury Department and Columbia University and others and he opposed it on general principles and said do not pass that law unless it can be in force longer than 2 years, because it takes that long to put it into full operation.

A motion to recommit will be offered to put in the sales tax. I am not going to argue this tax here because most of you know my position on it, although it would help me and help you more to have a sales tax than to put on an increased income tax, but you are representing, as I am, your people at home. You are representing the wage earner, the farmers as well as others least able to pay. Protests have come to me constantly, and are coming to me constantly, from constituents opposing a sales tax, and they are right about it because it is a sweating tax on the one who is least able to pay. I have given it some study; and if you will do me the courtesy to even read a portion of the remarks I am putting in the RECORD, I shall appreciate it.

Years ago I used to take the floor here constantly, as my friends know, in opposition to what was called the "old sales" tax proposals, and we defeated them repeatedly.

This measure is going to the United States Senate, and do not forget that when we get through with an item here and it is adopted and you are disconsolate about it, the people over there are going to discuss it and debate it.

They are going to find out the possible benefits or uncertainties of every proposition. I would not put these statements in the RECORD if it were not going to be examined,

as I believe it will be. Senators also are going to express themselves on what they believe is right on the subject of taxation, which is the only provision of the bill that was left to us to consider.

I am not going to criticize the President of the United States. He is carrying a heavy responsibility, but I think the strongest point made by the gentleman from Pennsylvania [Mr. BECK] yesterday in his admirable presentation, was that it is not the President, but the administrator to whom we delegate this enormous power that covers practically every agency in every field of industrial activity.

Mr. COX. Will the gentleman yield?

Mr. FREAR. Yes; to my friend from Georgia.

Mr. COX. The gentleman states that the only section of the bill that his committee considered was the tax section.

Mr. FREAR. Yes; so far as having any voice in its determination.

Mr. COX. Did the gentleman have a disposition or a desire to bring to bear his notions as to what was proper legislation upon the other details of the bill?

Mr. FREAR. I may say to the gentleman from Georgia that I had the same disposition that he would have had if similarly placed.

Mr. Chairman, the Republican members of the Ways and Means Committee unanimously joined the Democratic members in voting for the public works bill in committee so far as I now remember. This is betraying no confidence, but indicates the general disposition on the part of Members to support the President in his program, although many provisions of the bill were questioned, particularly those granting practically unlimited powers, ordinarily determined by Congress. It also answers the unfortunate comment of those who assert politics has entered into the situation.

The Republican members of the committee, however, asked to have placed in the report a statement that they disagreed with the majority of the committee in the tax feature embodied in the bill, and it is to that feature alone that I wish to address myself. As the bill covers an appropriation of $3,300,000,000 with a yearly tax with which to retire the debt of more than $220,000,000 annually, the vast sums involved warrant more than passing argument on that feature of the bill.

My objection to the tax feature did not arise from the much-discussed manufacturer's tax, which is not contained in the proposal accepted by the committee and which to some extent influenced the action of minority members of the committee in their objection to the tax feature. Although agreeing to the necessity of balancing the Budget and the importance of careful selection of the tax program, I did believe and so stated in committee that other sources of income would be preferable to some of those adopted by the committee and now appearing in the bill.

One of these that would have furnished approximately $100,000,000 annually, according to Treasury estimates, and that is justified in preference to some of the taxes imposed could be collected by a 2-cent additional tax on packages of cigarettes. I am not discussing objections naturally raised to this tax from tobacco producers who are not now permitted to receive their fair proportion of production costs and who suffer injustice, not from the tax paid but from the powerful control of tobacco producers by the great cigarette-manufacturing companies.

The present cigarette tax seems large, but it should be remembered that this source of revenue in many cases is practically the largest item abroad and amounts to a Government concession that cannot there be escaped. In many European countries today cigarettes are sold to the consumer at prices ranging from 40 cents to 75 cents a package, often of an inferior quality, whereas in this country large cigarette dealers receive a profit when selling at prices ranging from 10 cents to 20 cents a package and, generally speaking, for a superior brand of cigarettes. In other words, the prices in this country are less than one half and often less than one third of those quoted abroad for similar products that are deemed to be a luxury.

Another element in this cigarette-tax proposal arises from the facts as reported by the press that George W. Hill, president of the American Tobacco Co., it is alleged, has charged and is seeking to collect from his company $2,500,000 for last year's salary and bonus, while the vice presidents and other officials of the company seemingly are in a conspiracy against the interests of stockholders in general and are receiving large bonuses in addition to their salaries which necessarily are taken from the profits of the company belonging legitimately to the stockholders.

This case is now awaiting decision by the United States Supreme Court, according to the press.

This case comes about through the ability of officers of the company to control such matters at the stockholders' meetings through the accumulation of proxies that naturally are placed in the hands of the officers from those unable to attend the meeting.

A vigorous protest against awarding such bonuses to the tobacco officials has occurred so that a suit was instigated to prevent collection of the bonus from the company's revenues, and that suit as stated is now awaiting a decision in the Supreme Court of the United States. When cigarette companies are able to pay their dividends, although slightly below that paid in some past years and the officers seek to collect fabulous bonuses and salaries which combined are 250 times the full legal salaries paid to Members of Congress and nearly half as much to one tobacco official as the combined salaries of 96 Senators and 435 Members of the Seventy-third Congress, due to the latter's voluntary reduction in pay, it would seem beyond question that the cigarette field of taxation offers a better source of revenue than some of those adopted by the bill, and I speak particularly of a tax on dividends to be imposed which is in addition to the tax collected from the corporation, and the tax already paid by individuals on incomes reaches in all practically a triple tax on dividends. Only those having enormous losses, which, however, do not counterbalance enormous profits made in the past, as disclosed by Senate committee hearings, are able to accept such methods of taxation without protest. Incidentally a tax of 100 percent on bonuses would be the best method of protecting stockholders from the activities of racketeering officials.

Mr. Chairman, may I suggest to those looking for fertile fields of increased revenues that a repeal of the 80-percent estate tax given to States will bring about a substantial amount. In view of the present startling Morgan and Mitchell income-tax disclosures Congress should reduce any loss deductions by confining losses to the year in which occurring or deducting to a maximum of 25 percent of the income instead of permitting full cancelation, as occurred in the illuminating cases of legalized tax evasions by these men of large wealth.

The losses from postal undercharges we were informed by Director Douglas would be reduced about 25 percent in 1933 from losses of 1932. If the President, under authority conferred by Congress, will reduce the postal loss of $200,000,000 in 1932 to $100,000,000, or 50 percent, in 1933, that aid will increase proportionate revenues by reducing losses to nearly one half of the $220,000,000 needed to finance this public-works bond issue.

Postal receipts and expenditures, fiscal year 1932

[In millions of dollars]

	Revenue	Expenditures	Profit	Loss
Mail matter:				
First class:				
Other than local	223.8	211.0	12.8	
Local	86.5	65.7	20.8	
Air mail	6.0	23.8		17.7
Total first class	316.3	300.5	15.9	
Second class:				
Publications exempt from zone rate on advertising	2.1	19.0		17.0

Postal receipts and expenditures, fiscal year 1932—Continued

[In millions of dollars]

	Revenue	Expenditures	Profit	Loss
Mail matter—Continued.				
Second class—Continued.				
Zone-rate publications:				
Daily papers	9.8	46.2		36.4
Papers other than daily	1.9	13.5		11.6
All other publications	8.0	36.7		28.7
Free in county		8.6		8.6
Total, publishers' second class	21.8	124.0		102.3
Transient	1.4	1.3	.1	
Total, all second class	23.2	125.3		102.3
Third class	50.7	79.6		28.9
Fourth class	113.6	146.3		32.7
Foreign	18.0	46.4		28.4
Penalty		9.8		9.8
Franked		.7		.7
Free for blind		.1		.1
Total, all mail	521.8	708.7		186.9
Special services (registry, insurance, c.o.d., etc.)	50.2	81.0		30.8
Unassignable	15.1	3.8	11.3	
Unrelated	1.9	2.3		.4
Grand total	588.9	795.8		206.9

It is understood that the Postal Department proposes to cut down this loss over 25 percent as stated under authority given to the President by Congress, and attention was called in the hearing on this bill to the item of $36,400,000 loss from the mail carriage of daily papers and $28,700,000 from the carriage of other publications together with $11,600,000 loss caused by papers other than dailies, and also $8,600,000 from free-in-county papers, or a total of over $80,000,000 "loss" in this item alone from papers that have a certain educational value which entitles them to special consideration, but papers which in many cases have denounced and misrepresented and sought to belittle Congress to an extent never before had through this powerful propaganda.

It has been suggested that the enormous circulation enjoyed by some of the most willful detractors of the American Congress could properly be taxed, both among the great daily papers, with reasonable exemptions in circulation, and also magazines enjoying enormous circulation that frequently contain unjust criticisms and captious references to Congress in practically every edition, and that a nominal tax so levied would bring a far larger amount to the Federal Treasury than the income to be collected from the various sources of taxation under this bill or the manufacturers' tax proposed as a substitute.

It is easy to defend such papers and periodicals from any tax because immediately the press or magazine publication, whatever it may be, gratefully acknowledges with generous publicity notices any such defense that may be offered. While, on the other hand, any attempt to explain or defend the actions of Congress is certain to bring down unmerited criticisms from the extreme publications referred to or, what is deemed equally effective, no publicity.

The difficulty in taxing papers without imposing unjust burdens in many cases is apparent and has not been seriously urged upon the committee, although many Members have agreed that this source of taxation is one that, if seriously considered, would help balance the Budget and relieve to a great extent a public apprehension from lack of confidence in the American Congress and Government arising from such unwarranted attacks. Publications that strain at a gnat when crying aloud in the wilderness over a tenth of 1 percent cost to the Postal Department for all departmental and congressional franking, yet fail to recognize the loss, and swallowing of an $80,000,000 camel, or more than 15 percent of the total postal expenditures, all evidence the unfairness of arguments presented.

Among the most bitter and unwarranted denunciations of the American Congress are sales-tax articles regularly appearing in the Hearst papers that slander Congress individually and collectively for not adopting Mr. Hearst's private views on the subject of a sales tax, and yet not one tax expert of standing, outside of editorial writers so employed, is among those who have appeared before the Ways and Means Committee during recent years advocating such tax.

Assaults on public men and crucifixion of honest officials are destructive when directed against the innocent and guilty alike and can only please the one who indulges in unwarranted criticism, but when directed at the American Congress it causes loss of faith in the Government we represent.

It is significant that when special trains are paid for by a Hearst newspaper, however patriotic the owner is inclined to be, to carry Members of Congress to Canada to pursue a deep study of the sales tax for 2 consecutive days, during which entertainments galore are had in an attractive way, it may suggest the deep personal interest of the newspaper owner in the adoption of a sales tax. So, too, papers which enjoy enormous circulation and powerful influence and which pay 7-percent dividends on their stock, together with large income taxes by the publisher, would all be lessened if the average farmer and laborer with his family was enlisted in support of a sales tax.

I am not attempting to discuss the merits of a manufacturer's or other consumption tax or the fact that income taxes, estate taxes, and other like tax burdens are far less in this country than in many European countries, but that those with large incomes under our form of government should be ready to pay according to ability—and that includes Mr. Hearst—rather than to harangue and denounce a legislative body that seeks to equalize, as best it can under our form of government, these tax burdens. Those who declare that the average person does not pay anything toward the support of the Federal Government ignore the direct and indirect taxes that necessarily are borne by every purchaser of tobacco, cars, luxuries, and necessities, together with the renter, who pays the tax collected when turned over by the landlord, and a hundred other like illustrations that could be offered. These are not generally mentioned by the press that represents a powerful army of income-tax payers who naturally seek reductions in their tax burdens.

Notwithstanding the evident break-down in constitutional government repeatedly voiced in this debate, I do not share in the apprehension that a dictatorship, now popular in more than half of Europe, will soon envelop this country, or that the present dictatorship experiment will prove permanently popular here with unannounced agencies in the background to be then assigned to the role. I do believe that freedom of the press is a great bulwark against such aggression and that protection to our present form of government is best assured by preservation of the rights of the people under the Constitution.

It is, however, certain that in every dictatorship I have studied in Europe, more particularly in Russia, Poland, and Italy, which were visited, the press is without any semblance of freedom. I mention this fact to emphasize the point that every effort of a misguided press or of members of that honorable profession to break down public confidence in the American Congress, and to demand abandonment of legislative functions as laid down in the Constitution, is strong encouragement to an easily moved public by propaganda that our form of government has long since served its full purpose.

This effect must be known to every thinking person and I can find proof in the fact that one of the strongest factors in the present assault on Congress is an agency allegedly imbued with communism. But I have a matter of self-preservation in mind to suggest to those members of the press who join in the hue and cry against Congress.

The advent of a dictatorship is not necessarily all-destructive but does destroy liberty of action and of individual endeavor and of liberty of the press.

It is conceivable that any such change in our Government would cause the dictator to compel the Postal Department to become self-sustaining and an $80,000,000 deficit in carrying daily newspapers and other periodicals would

quickly be wiped out in Budget balancing. Equally certain, in its effort to gain revenues, the new Government would soon determine that a virgin field of taxation would enable the Treasury to become self-sustaining by adding a source far more certain in amount and justification than any manufacturer's tax.

A brief examination could assure receipt of great revenues by giving limited exemptions in circulation without tax and then imposing a small tax on the great daily press and magazines of the country based on circulation. Studying circulations reaching millions in many single cases that are before me, now sold at insignificant cost to the public would become a well of Treasury income by adding a penny to the dailies and double that to magazines, bringing in more funds to the Federal Treasury than any manufacturer's tax yet suggested; and, bear in mind, the latter is to be imposed on those least able to pay. I am not now seriously suggesting such tax excepting to call attention to its excellent financial and taxable possibilities.

Congress endeavors to meet the tax problem without prejudice by collecting from those best able to pay, although it must be admitted that the triple tax on dividends reduces the income to a minimum for many comparatively poor people who have been left only a few securities after the provider has been taken away.

In the past I have discussed to some extent the manufacturer's sales tax problem which has been rejected by England and is only imperfectly enforced in most countries. Pyramiding and other tax evils have caused countries generally to reject this tax excepting for a brief emergency, but the danger from such course is illustrated by the camel's nose under the tent, which in Canada has raised the manufacturer's tax from 2 cents to 6 cents, paid by the consumer in higher prices, and has made the tax a permanent fixture in every government when once adopted because the sources of publicity are usually largely favorable to maintenance of such taxes.

Nearly every Member of Congress would approve personally of a sales tax if permitted to have it used as an offset for income taxes now paid by the individuals and companies with which Senators and Members may have an interest, but representing as we do those who are less able to pay and would be compelled to pay a manufacturer's tax to relieve those best able to pay, I submit there is but one fair and just course to take if we would properly represent the views of the majority of those who have given us places of responsibility in Congress.

I am not offering arguments affecting the sales tax either for or against, but have been urged to resubmit some brief arguments offered last year on the same subject. This I do with the understanding that although the matter occupies a number of pages of the RECORD, it can be properly offered to explain support and action of every Senator and Member who opposes the manufacturer's tax.

As the arguments of the latter are carried in the newspapers and magazines which reported a shortage in 1932 of $80,000,000 loss to the Government from mail carriage, and as they are exempt from any special taxes, which it has been urged could properly be added, I trust that the usual harangue about the expense in the RECORD by printing and franking privileges accorded Members may be temporarily forgotten. If not, other facts can be submitted in the matter of interest to taxpayers who pay the bills.

In response to repeated requests made as late as yesterday, I quote from my remarks of March 12, 1932, which contain statements that may be an answer and give a fairly good understanding of the position taken by opponents of the manufacturers' tax when the proposal was actively supported by President Harding and Secretary of the Treasury Andrew Mellon when the latter made it a condition for consideration. The following letter explains the amount collectible under the proposed 2-cent increased cigarette tax:

TREASURY DEPARTMENT,
Washington, January 7, 1933.

MY DEAR CONGRESSMAN: For the Secretary of the Treasury, receipt is acknowledged of your letter of December 22, 1932.

The tax collections on cigarettes during the fiscal years 1931 and 1932 were as follows:

	Small cigarettes	Large cigarettes
1931	$358,915,187.84	$45,815.64
1932	317,533,080.02	31,659.71

The present tax rates on cigarettes are: For cigarettes weighing not more than 3 pounds per 1,000 (small cigarettes), $3 per thousand; for cigarettes weighing more than 3 pounds (large cigarettes), $7.20 per thousand.

An increase in the tax rate on small cigarettes of 2 cents per package of 20 would amount to $1 per thousand. The additional revenue from such an increase would probably be approximately $100,000,000 for the fiscal year 1934. * * *

Very truly yours,

JAMES M. DOUGLAS,
Assistant Secretary of the Treasury.

Hon. JAMES A. FREAR,
House of Representatives, Washington, D.C.

Following the general discussion of a sales tax above stated, I am furnishing the committee the last information available from the legislative reference service as to sales taxes which recently have been adopted by the several States and which in many cases levy a direct tax on necessities affecting the average wage earner and farmer, thereby placing a double burden if additional Federal sales taxes should be placed in this bill as urged by their proponents at this time.

LIBRARY OF CONGRESS,
Washington, May 22, 1933.

Hon. JAMES A. FREAR,
House of Representatives, Washington, D.C.

DEAR SIR: In response to your letter of May 16 concerning the States that have adopted the sales tax, I send with this a typewritten statement, Gross Income and General Sales Taxes, prepared by Mr. Raymond B. Manning, a member of the Legislative Reference Service staff; 1933 legislation is so recent that much of it has not yet been printed, so that we have been obliged to depend upon other sources for the information.

Very respectfully,

H. H. B. MEYER,
Director Legislative Reference Service.

GROSS INCOME AND GENERAL SALES TAXES

Arizona: Laws 1933, H.B. 146. (Held unconstitutional by Maricopa County Court, Apr. 1, 1933.)

Rate: One half of 1 percent on gross income of mines, factories, farmers, wholesalers, jobbers, gas companies, electric companies (industrial sales), telephone companies, telegraph companies, railroads, pipe lines, and motor lines; 2 percent on gross incomes of retailers, electric companies (domestic sales), and all other businesses, professions, and callings not exempt.

Principal exemptions: $1,200; also, banks, building and loan associations, nonprofit organizations, and gasoline sales.

Connecticut: General Statutes, 1930, section 1340–1351. (Some authorities exclude this act because of its limited application.)

Rate: $1 for each $1,000 of gross income of unincorporated manufacturers or retail merchants; $0.25 for each $1,000 of gross income of unincorporated wholesale merchants.

Delaware: Revised Code 1915, section 196; Laws, 1917, chapter 11; 1919, chapter 23. (Some authorities exclude these acts because of their limited application.)

Rate: One fiftieth of 1 percent on gross receipts of manufacturers; 10 cents on each $100 of purchases of wholesalers and retailers.

Rate: 20 cents on each $100 of purchases of grain, fruit, and vegetable wholesalers.

Georgia: A 1929 act in Georgia expired by its own terms on December 31, 1931.

Illinois: Laws 1932, Ex. 4, page 17.

Until July 1, 1933, counties may tax retailers at the rate of 1 percent of retail selling prices.

A 1933 State-wide law was held unconstitutional by the State supreme court.

Indiana: Laws 1933, H.B. 513.

Rate: One fourth of 1 percent on gross income of timber producers, mines, factories, farmers, wholesalers, and jobbers. One percent on gross income of gas companies, electric companies, telephone companies, telegraph companies, railroads, pipe lines, motor lines, other public utilities, banks, building and loan associations, insurance companies not paying a 1-percent premium tax, and also income from professional services, personal services, retail sales, sales of real estate, income from investments, etc.

Principal exemptions: $1,000; also nonprofit organizations.

Kentucky: Acts 1930, chapter 142.

Rate: 0.05 percent on first $400,000 of gross retail sales; 0.1 percent on next $100,000; 0.25 percent on next $100,000; 0.4 percent on next $100,000; 0.55 percent on next $100,000; 0.7 percent on next $100,000; 0.85 percent on next $100,000; 1 percent on all over $1,000,000.

Principal exemptions: Garden and farm sales.

Mississippi: Laws 1932, chapter 90 and chapter 91. (Effective until June 30, 1934.)

Rate: One eighth of 1 percent on gross income of wholesalers; one fourth of 1 percent on gross income of factories; 1 percent on gross income of makers of brick, tile, sewer pipe, cement and its products, clay products, and bottled soft drinks, and sellers of automobiles, electricity and gas for industrial purposes, contractors; 2 percent on gross income of mines, timber producers, all public utilities, and all other professions and occupations subject to privilege taxes; 2½ percent on producers of natural gas.

Principal exemptions: $1,200; also places of amusement (subject to separate special tax) and nonprofit organizations.

New Mexico: Laws 1933, chapter 73. (Apparently aimed at chain stores.)

Rate: $10 when gross annual sales of retail merchants do not exceed $3,000; $15 when between $3,000 and $10,000; $20 when between $10,000 and $20,000; $50 when between $20,000 and $50,000; $75 when between $50,000 and $75,000; $125 when between $75,000 and $100,000; $250 when between $100,000 and $150,000; $650 when between $150,000 and $200,000; $1,250 when between $200,000 and $300,000; $1,950 when between $300,000 and $400,000; $1,950 plus $25 per $1,000 on all sales above $400,000.

Principal exemptions: Sales of liquor, oil, gas, and other motor fuel.

New York: Laws 1933, chapter 281.

Rate: 1 percent on retail sales.

Principal exemptions: $5,000 (not allowed when sales exceed $20,000); also sales of food, gasoline, electricity, gas, steam, and water.

North Carolina: Laws 1933.

Rate: 3 percent on retail purchases of all merchandise. Highest levy not to exceed $10.

Principal exemptions: Essential foods, meats, milk, flour, meal, molasses, sugar, salt, and coffee.

North Dakota: Laws 1933, S.B. 315. (Effective until June 30, 1935.)

Rate: One eighth of 1 percent on sales of wholesale bakeries, wholesale dealers in soft drinks or tires; one fourth of 1 percent on sales of other wholesalers and manufactures; 1 percent on sales of manufacturers of pottery, draintile, brick and cement, lignite mined, electricity (for industrial use), and sales by contractors; 2 percent on retail sales of tangible personal property, electricity (for domestic use), and gross income from professional services.

Oklahoma: Laws 1933.

Rate: Probably 2 percent on virtually all sales (at retail?).

Principal exemption: Food and clothing valued at less than $8.

Oregon: Laws 1933, chapter 400. (To be submitted to referendum, July 21, 1933; effective until June 30, 1935.)

Rate: Three tenths of 1 percent on gross income of wholesalers and publishers; 2 percent on gross income of retailers and gross income from services rendered.

Principal exemptions: $600; also salaries and wages, insurance premiums, sales of gasoline, and sales by growers and producers of farm products and livestock for resale.

Pennsylvania: West's Statutes 1920, § 14727–14729; Laws 1929, p. 1709.

Rate: 1 mill on volume of business transacted by retailers; one half mill on volume of business transacted by wholesalers other than those processing or curing meats; one fourth mill on volume of goods exchanged.

The 1932 emergency relief sales tax act levying 1 percent on sales expired by its own terms on February 28, 1933.

South Dakota: Laws 1933, senate bill 101.

Rate: One fourth of 1 percent on gross income of manufacturers, wholesalers, and jobbers; one half of 1 percent on gross income of livestock raisers, sellers, etc.; 1 percent on gross income of all other businesses and professions and all salaries and wages not in excess of $2,000; 1½ percent on salaries and wages between $2,000 and $5,000; 2 percent on salaries and wages over $5,000.

Principal exemptions—insurance companies, express companies, and nonprofit organizations.

Utah: Laws 1933, house bill 218 (effective until April 1, 1935, unless made inoperative before that time by proclamation of the Governor).

Rate: Three fourths of 1 percent on retail sales, sales of property, services furnished by public utilities, meals served to the public, and admission to places of amusement; 5 percent on sales of malt sirups, etc.

Vermont: Laws 1933, house bill 115 (apparently aimed at chain stores).

Rate: One eighth of 1 percent on retail merchants' gross annual sales between $50,000 and $100,000; one fourth of 1 percent on next $100,000; one half of 1 percent on next $300,000; 1 percent on next $250,000; 1½ percent on next $250,000; 2 percent on next $250,000; 2½ percent on next $250,000; 3 percent on next $250,000; 3½ percent on next $250,000; 4 percent on all over $2,000,000.

Virginia: Tax Code 1930, section 188. (Some authorities exclude this act because of its limited application.)

Rate: 20 cents per $100 of merchants' purchases between $2,000 and $100,000; 10 cents per $100 on all in excess of $100,000.

Washington: Laws 1933, House bill 92 (effective until June 30, 1935).

Rates: One fifth of 1 percent on gross income of wholesalers and jobbers; one fourth of 1 per cent on manufacturers, newspapers, and periodicals; three tenths of 1 percent on most severances; two fifths of 1 percent on banks and building and loan associations; one half of 1 per cent on retailers, electric interurban railroads, street railways, and local motor lines; 1 percent on oil, natural gas, outdoor advertising, and radiobroadcasting; 1½ percent on steam railroads, highway transportation companies, other public utilities, theaters, and places of amusement; 2 percent on manufactured gas, express companies, car companies, stockbrokers, security houses, and finance companies; 3 percent on water companies; 5 percent on societies of authors, composers, and publishers who collect fees.

Principal exemptions: Nonprofit organizations and insurance companies.

West Virginia: Code 1931, chapter 11, article 13.

Rate: One twentieth of 1 percent on gross income of wholesalers and jobbers; one fifth of 1 percent on retailers; twenty-one one hundredths of 1 percent on manufacturers; three tenths of 1 percent on banks, contractors, and other business not specifically taxed by this act; two fifths of 1 percent on street railroads and other public utilities; forty-two one hundredths of 1 percent on coal mined; forty-five one hundredths of 1 percent on limestone, other mineral products, and timber; three fifths of 1 percent on telephone, telegraph, express, and electric companies; 1 percent on oil, steam railroads, pipe lines, and amusements; 1 17/20 percent on natural gas.

Principal exemptions: $10,000; also insurance companies, mutual savings banks, nonprofit organizations.

Mr. Chairman, I hesitate to reprint some of the arguments and offer some of the evidence placed before the House a dozen years ago when a sales tax was threatened and nearly passed by the House because of the difficulty in placing before Members the illusive arguments so easily and frequently made by proponents of the tax. The vast amount involved in any such tax and permanence of its place on the tax rolls if once adopted justifies a very brief reminder of evidence and arguments submitted in the past. I quote from the RECORD of March 17, 1932:

WHO IS DEMANDING A SALES TAX? A TAX ON THE NECESSITIES OF EVERY CONSUMER TO RAISE $600,000,000 SHOULD BE DEFEATED AND A SUBSTITUTE TAX PLACED ON THOSE BEST ABLE TO PAY

Mr. FREAR. Mr. Speaker, day before yesterday a letter to my colleagues gave citations to speeches in 1921 and 1922 against the sales tax then before Congress. Yesterday I was stopped by a colleague on the way to the Capitol, who said he had gone to the Congressional Library and examined the RECORD of those dates—and, more remarkably, had read the speeches—with profit. I inserted remarks including extracts from speech of December 22, 1931, bearing directly on the sales tax and including data on the Canadian sales-tax proposals then before Congress.

Yesterday I listened to a splendid talk by Representative Davis, of Tennessee, against the sales tax, delivered before a handful of Members, and before the close of the session only 20 Members—equally divided politically—were on the floor. I have seen Senators "orating" to empty benches on different occasions, so I believe speeches and physical strength can be saved by "remarks" that carry the same information.

The sales tax bills before Congress in 1921 and 1922 carried estimates of a billion dollars. The bill before us has a $600,000,000 sales-tax item; and although reported unanimously by 25 members of the Ways and Means Committee, second to none in Congress in ability and power, I feel certain that the $600,000,000 sales-tax item, composing 60 percent of revenues proposed to be raised, will be stricken from the bill, possibly by the House; but, if not, by the Senate.

Mr. Speaker, I listened to the able presentation of a sales-tax argument by the distinguished Democratic leader today, a personal friend and colleague of many years' standing. I would be the last to seek to answer him or any other member of the committee.

I do venture to suggest that men of great wealth—and Mr. Hurley is, I understand, in the highest brackets—will one and all be relieved from income taxes when the sales tax is substituted for an income tax that is proposed by Mr. Kahn, Mr. Hearst, Mr. Bache, and scores of others whose names in many cases appear in these remarks with their efforts to substitute a sales tax for an income tax.

No criticism is found in that course, excepting full publicity should be given of motives that may properly lie with those who would be ready to shift the taxes onto the shoulders of the consumer by a consumption tax.

The arguments here offered against the bill may not be persuasive so as materially to affect the result, but the opinions of expert tax authorities quoted of organizations in Canada and this country opposed to a consumption tax are unanswerable and should help strike from the bill the $600,000,000 sales-tax item.

That is a result devoutly to be wished for by the vast multitude least able to pay, and I doubt if the President endorses this item, basing that opinion on his familiarity with taxation principles and strong common sense, not on any inside information so frequently voiced by others.

SALES-TAX ISSUE THE SAME AS IN 1921

In 1921 the issue was the same. Then it seemed that the influence for the bill would be overwhelming, but we defeated it in the committee. Now, with slight hearings and less publicity, the committee unanimously reports a $600,000,000 consumption tax in

the revenue bill. Let me express appreciation for the valuable work of my colleague, Representative LaGuardia, whose opposition in general debate is forceful, convincing, and logical. Also, in answer to charges that Congress and Members generally have been silent on extravagance, let me say, when the flood control bill, in the Seventieth Congress, passed the Senate with 2 hours' debate, carrying an estimated billion and one half dollars for a widespread reservoir system covering condemnation of many millions of acres for flooding purposes and extravagant plans, I was then a member of the House Flood Control Committee.

Representative LaGuardia was called to aid and for 4 days we exposed the Senate flood-control bill acting on the advice of Chief of Engineers Jadwin and after conference with President Coolidge. On a vote that assured sustaining of a Presidential veto, the President compelled a compromise measure finally agreed to at $318,000,000 and a saving of over a billion dollars in that one bill by action of the House and President.

Six hundred million dollars in revenue can be raised by suggestions that I will hereafter offer, I trust without presumption, for any revenue bill should be properly balanced and not drafted on the floor by amendments. That is a proper function of the committee but in its surprising recommendation of a consumption tax, I fear a flood of protests from interests proposed to be taxed, caused the committee to return to the iniquitous sales tax because no organization had yet appeared specifically against the tax. I submit substitute revenues can be found to balance the Budget, but if not easily available the Government is not going "hay wire" nor bankrupt because of that fact.

BALANCING OF BUDGET DESIRABLE BUT NOT IMPERATIVE

Short-term securities until the present world-wide slump is relieved will, if necessary, meet the situation, and I say this with full knowledge of its threatened effect. I am somewhat familiar with Treasury pronouncements, mistakes, and sales-tax recommendations in the past. They are not to be taken literally in every case as they have been frequently disproved but I am equally in favor of balancing of the Federal Budget. I suggest some measures that may have been considered, but if so should be reconsidered in preference to a sales tax which taxes the necessities of every consumer in the land through increased prices.

Let the Budget be balanced, not by a sales tax but by some of the following proposals: A gift tax may well be started, not at 1½ percent but at 10 percent, which would reach a large percentage of gifts and should reach to 30 percent maximum on large estates. Even a maximum that will graduate a return of at least 20 percent would not be excessive. By raising the estate tax with smaller exemptions up to 40 percent on large estates, if need be, and repealing the entire 80 percent State credit to the States, a tax still less than that of England might help to meet Budget requirements. By taxing cars and trucks, imported oil—now free entry—a larger tax on stock and bond transfers, on bank checks, and, if need be, on cigarettes and on innumerable items, though protested, will be more equitable and just than a "sales" tax or "consumption" tax or "spending" tax which in its blood-sucking-leech effect reduces the income of every consumer in the land by adding the tax indirectly to the price ordinarily collected from necessities he must buy for himself and family, to exist.

This subject, as stated, has been with Congress before and, without professing any expert knowledge of the tax, I submit extracts from several prized tributes that are not claimed to have been deserved, although the speakers and writers believed so, apparently.

Senator La Follette in Senate debate, RECORD, page 7371, November 5, 1921:

"Mr. President, the (1921) sales tax was practically defeated over in the House, largely under the leadership of a Member of Congress from Wisconsin, Representative FREAR."

Of course, I did not merit especial credit for a result in which all helped, but another word from 1921 is offered because of the great organization represented then and now against the tax. From Hon. Edward Keating (editor Labor, 2,000,000 circulation):

"MY DEAR MR. FREAR: You are entitled to practically all the glory for defeat of the sales tax * * *."

And from an editorial in that paper of August 23, 1924:

"More than any other man he was responsible for the defeat of the Mellon (sales) tax plan and for the adoption of a substitute which lightened the burdens of 3,000,000 taxpayers."

Similar words from President Howard, of the American Farm Bureau Federation; Secretary Charles A. Lyman, National Board of Farm Organizations; Akerson, of the Grange; and others indicate the character of organizations then marshaled against the iniquitous consumption tax then before Congress, and that evidence then submitted was practically undisputed by any student of taxation.

Although time is limited, like opposition is reasonably certain to be aroused against the $600,000,000 sales tax contained in the pending bill. Not because of unfounded prejudice but because every leading tax authority is opposed to the principle of taxing consumers on necessities they buy in order to relieve those best able to pay who are more strongly organized and hope to substitute a sales tax for high income-tax rates.

WHERE REAL TAXES ARE PAID

Mr. Speaker, those who denounce the new tax bill because it makes a heavy dent in their income will not move to England or France or Germany to get tax relief. In the last-named countries they would pay the hated consumption tax that the Treasury is trying to unload onto the people for the second or third time, and in addition the Englishman pays several times as much for the privilege of living in the old mother country and far more than that in Germany.

From last night's Star I clipped a brief comparison which I have not checked with official records, but if approximately true, the American taxpayer will never get farther away from New York than the Statue of Liberty, excepting for a brief trip abroad to learn what a lucky fellow he is to live in the United States.

The article is so interesting and well worth studying when income-tax payers are wearing crepe on both sleeves in these days of tax mourning that I insert it for your perusal. It reads as follows:

"In the United States a married man with one dependent child and a net income of $2,000 pays no Federal income tax now and would not pay any under the provisions of the new revenue bill in Congress.

"A citizen of Germany, with the same income and dependents, pays a tax of $215; an Italian pays $218; a Frenchman, $104; and an Englishman, $63.

"More pronounced is the severity of European levies on the middle- and high-income classes. For example, the German with a net income of $5,000 a year contributes $989 to his government in income tax alone. The loyal subject of King Emmanuel digs up $717; the Frenchman, $104; and an Englishman, $63.

"The married American with one child and an income of $5,000, under present regulations, pays $16.50 Federal income tax. If the new revenue bill is enacted as drawn he would pay $29.50. In 1924 an American of the same status paid $42.50.

"The residents of 28 of the 48 States are now required to pay a State income tax in addition to the Federal levy. The State taxes, however, average considerably lower than the Federal. Consequently, a person with a $5,000 income, living in a State which imposes an income tax, probably wouldn't pay a total of $50. That would be only one fourteenth of what an Englishman pays.

"Particularly heavy are British levies on high incomes. A married man with one child and an income of $10,000 in Great Britain pays $1,800.

"In the United States he now pays $123. He paid $204 in 1924 and would pay $154 in 1933 under the new revenue bill.

"The same man with an income of $100,000 pays $48,000 in Great Britain and $16,245 in this country. In 1924 he paid $22,000 and under the new bill he would pay about $26,000.

"This measure grants an exemption of $1,000 to single men, $2,500 to married men, and $400 for each dependent. Great Britain's exemptions are $485 for a single man; $730 for a married man, $245 for the first dependent child, and $195 for each other child.

"For Americans who 'view with alarm' the projected boost in income taxes, Government financial experts cite the prospect of tax-rate reductions and increased exemptions such as have been made heretofore when the Treasury enjoyed a surplus."

NINETY-FIVE PER CENT OF FARMERS AND LABORERS DO NOT NOW PAY ANY FEDERAL TAX

It may be proper to intersperse at this point the fact that while constant protests are received from agriculture, labor, and other individuals and organizations against existing Federal taxes which they believe they are called upon to pay, not 5 percent of the farmers or laborers in the United States pay any income taxes to the Federal Government, and that is the largest source of direct taxation.

Existing law provides an exemption of $3,500 for a married couple, and the percentage of farmers and laborers receiving over that net amount of income is small. The pending bill lowers the exempt net income to $2,500 per couple. Estate taxes, largely reached in the higher brackets, gift taxes now proposed, and other existing Federal tax burdens, or those proposed, will not affect the average individual. Indirect taxes on a very limited proportion of goods imported, with small excise taxes on tobaccos and cigarettes, are paid by all, but heavy taxes borne by the average farmer and laborer living in cities comes from local taxes for schools, streets, town, county, city, and State government, all of which, directly or indirectly, are paid by the residents of the State. Indirectly, when no property is owned by renters, the rental payment goes to cover taxes and other expenses of the owner.

A popular misconception exists as to where the Federal taxes are laid, and although the local resident pays far higher taxes in proportion of ability to pay than the average income-tax payer living in the cities, those taxes are local and the Government receives no return, but, on the contrary, contributes toward highways and other State improvements that give employment and aid to labor within the State.

Mr. Speaker, I desire to express some additional views beyond what was stated in the RECORD of Friday, March 11, when on pages 6018–6036 I submitted unanswerable arguments offered by many of the ablest men and tax experts in the country against a sales tax when that same question was last before the House. In that statement (in Friday's RECORD, March 11) will be found opinions of men like Professor Seligman, of New York, known throughout the world as an international financial and tax expert; Arthur A. Ballantine, attorney, New York City, formerly solicitor of internal revenue, whose opinion you will find on page 6024, where he says:

"I believe that this idea of a sales tax, a tax collected everywhere, falling on no one, is a will-o'-the-wisp which has floated over this field of taxation and which is in danger of luring busi-

ness men who approach Congress in an effort to get really beneficial changes into futile action instead of constructive action.

"I believe that this committee, by the very careful and exhaustive consideration which it has given to the advocates of this plan and its careful thought as to conclusions, has done much to dissipate this myth and to direct the efforts of business men into practical channels instead of down a pathway which leads to futility."

Another expert witness quoted was Charles A. Andrews, whose careful study of the subject on behalf of the national industrial conference board as a tax expert caused him to say:

"We started in upon the assumption that we were going to work out something in the form of a sales tax. We invited various well-informed people to come before us. We reached out and got printed matter and manuscripts; we made investigations; and slowly but steadily the committee was driven to the inevitable conclusion that it, representing a large body of business men, could not bring before this conference a recommendation for any form of sales tax, except as the same related to a few specific articles, suggestions as to which we have made and which have been referred to by Mr. Armitage.

"We haven't the nerve, as good citizens of the country—which we believe we are, and are trying to be—to say to a body of business men in this country, who are suggesting that business be relieved from a billion dollars of excess-profits tax, that we propose a tax which will cause the billion to be paid by the ultimate consumer. That is such a violent divergence from the principle of payment upon the basis of ability to pay that we cannot ask this body of business men to get behind that sort of a tax."

Mr. H. C. McKenzie, New York tax expert for the American Farm Bureau Federation, said:

"I want to take the opportunity to emphasize the farmer's objections to a general sales tax, which have been voiced by our president, Mr. Howard, and to call your attention to just two or three things briefly. * * *

"Ninety percent or ninety-five percent of that tax will be paid out of the living wage, if the contention of the proponents of the sales tax is correct; and I want to say that the farmers who are represented in the American Farm Bureau Federation will never in the world stand for that proposition."

Mr. George P. Hampton, managing director of the Farmers' National Council, quoted on page 6025 of the RECORD of March 11, says:

"A retail sales tax and other sales taxes and all similar taxes on food, clothing, and shelter, called consumption taxes, must be paid chiefly by the workers on the farm, in factories, mines, and transportation, millions of whom are getting less than the minimum wage necessary to maintain a family on a decent American standard."

Mr. Speaker, presidents of farm organizations and of labor organizations, both in this country and in Canada, are quoted at length in that speech. These men, I submit, have a better understanding than those who have given the subject slight study or who may vote for this bill because it is reported by the Ways and Means Committee.

WHAT SALES-TAX WITNENSSES WERE HEARD?

Let me call your attention to one significant fact. The Ways and Means Committee at that time heard about 350 witnesses on the entire tax bill, as found in 1,230 pages of hearings. Of all those witnesses and all those pages of testimony, only 15 pages apparently were given to the only two witnesses who testified before the committee on the sales tax. This is significant, because while 60 percent of the entire amount to be raised in the $1,000,000,000 bill, or $600,000,000, is to be covered by the sales tax, only two witnesses, as stated, were called to testify on the sales tax. Dr. Adams of my home State of Wisconsin, a man of exceptional ability whom I have known for many years, and Mr. Alvord, formerly a clerk of the Ways and Means Committee, and afterwards an employee of the Treasury.

If 60 percent of the entire bill, amounting to $600,000,000, has been written into the bill with 15 pages of testimony before the committee by 2 witnesses out of 350 witnesses, it is well that we ascertain what those 2 witnesses have said in favor of any sales tax. On page 260 of the hearings I quote:

"Mr. DOUGHTON. I believe you stated that you encountered very little criticism or opposition toward the sales tax in your investigation in Canada. To what extent did you discuss this matter with the consumers of the articles on which the sales tax is assessed?

"Dr. ADAMS. I am very glad that you asked that question. I did not talk this question over with representatives of labor organizations or agricultural associations or, if there be any, of the consumer. I might have found a great deal of criticism there.

"Mr. DOUGHTON. That is where the criticism would naturally be.

"Dr. ADAMS. Yes; and that is a real defect in my inquiries. I did want to talk to them, but I did not have time."

Here is the principal witness on the sales tax who testified before the committee a few days ago, on page 260 of the hearings, that he did not talk to a single consumer who pays the tax during several days he was in Canada studying the tax. His study apparently was directed particularly to matters of administration and not to the merits or justification for the sales tax.

NO SALES TAX JUSTIFIED FOR ONLY 2 YEARS

Now listen to additional testimony by one of the ablest tax experts of the country, given a few days ago before the committee:

"Dr. ADAMS. I have one definite conviction. Whether you should have a sales tax or not is a question for you gentlemen, largely a question of policy, but this, I think, is a common-sense conclusion, that it is not worth your while to adopt a Canadian sales tax for a short period of time, because to put it over you ought to have an administrative machine so well built up and so large that you would not be justified in creating it for a temporary tax of 2 or 3 years" (p. 260, hearings).

What did the committee do on page 250 of the committee bill? Here is the provision:

"No sale or importation after June 30, 1934, shall be taxable under this bill."

In other words, that limitation was written into the bill with full expectation of continuing the tax in order to relieve the income tax, or else the committee disregarded the evidence of its only two witnesses who said Congress would not be justified to create a manufacturers' tax for a temporary tax of 2 or 3 years.

On page 262, Mr. Chindblom, of the committee, said:

"Mr. CHINDBLOM. Do you know of any other country which has a system similar to that in Canada?

"Dr. ADAMS. No, sir; I do not. You know Austria has a system by which they attempt to eliminate pyramiding by varying the rate, but that is not the Canadian tax."

Here is the best expert that could be called by the committee who gives his testimony on the Canadian tax which we are asked to endorse. After a brief visit of several days he found a tax not similar to that of any other country, which he refused to pass on as a matter of policy, and ought not be taken over as a temporary tax of 2 or 3 years.

The committee would find itself out of court in a legal proceeding on that testimony of its chief witness.

Now comes the second witness, the only one aside from Dr. Adams, who testifies in detail regarding this tax, formerly an employee of the committee and afterward of the Treasury Department. Why he was sent to Canada and who sent him for 4 days to become an expert on the Canadian sales tax does not appear from the record, nor does he volunteer any expert testimony. On page 264:

"Mr. ALDRICH. Mr. Alvord, have you any idea why the Canadians did not make a list of the articles which are taxed, rather than to set out a list of exemptions?

"Mr. ALVORD. In reading the act I am inclined to say that a list of the articles taxed would not be so much larger than the list of articles exempt.

"Mr. ALDRICH. That is a general manufacturers' tax in name only.

"Mr. ALVORD. That is almost true; yet, sir, not quite, however. From the point of view of drafting a general law it is much easier to specify exemptions than inclusions."

This is the second expert's opinion of the Canadian law which he studied 4 days. Again, on the same page, he says:

"Mr. ALVORD. I do not know whether Dr. Adams went into this or not, but I think he agrees with me—if you adopt a sales tax without having the elastic administrative machinery, I am afraid your sales tax would be practically inoperative.

"Mr. TREADWAY. Do you mean by elasticity, the judgment of an official?

"Mr. ALVORD. The basic principle of the administration of the Canadian sales tax, as I understand it, is that there, either as a matter of law or as a matter of fact, the administrative decision is final."

Again he says, on page 265:

"Mr, ALVORD. If you are to consider the list of exemptions that the Canadian sales tax has, it means that you practically have got to write a tariff act. I have been through the 1922 act and the 1930 act, and you gentlemen have been through many others, I imagine that the pressure would be just about the same."

Again this second witness, with 4 days' experience in Canada, says, on page 266—and remember he was formerly a clerk of the committee, afterward an employee of the Treasury Department, and no one knows who sent him to Canada, so far as the record discloses—

"Mr. ALVORD. I agree with Dr. Adams that as an emergency measure I think it would be subject to very serious consideration as to whether it would be worth while to interject the entire machinery for a short period of time."

Every Member, I submit, should study this tax expert's opinion of an emergency sales tax proposed by several Members in H.R. 5755 before us.

Yet this bill (1932) proposes against the expert testimony of Dr. Adams and Mr. Alvord that it shall remain in force for only 2 years. Is anyone seeking to mislead Congress, and who drew that 2 years' limitation and why?

Again, on page 266, Mr. Alvord says in response to a question by Mr. Crisp:

"Mr. CRISP. With the knowledge you have and as an American citizen, do you favor the levying of a general sales tax?

"Mr. ALVORD. At the present time; no, sir."

Here seems to be the length, breadth, and scope of Mr. Alvord's opportunity to study the effect of the sales tax as shown on page 267:

"Mr. ALVORD. We started in with the minister of finance, rather briefly. We then went to the commissioner of excises, who is a Civil Service appointee and who has been in the service a long time, and he called in two of his assistants. They were the men who primarily had the job of administering the tax. We spent practically an entire day with them in going over their administration. I think those are the only persons we discussed the matter with in the administration. Then we spent the remaining 3 days of our visit up there discussing the matter with manufacturers, manufacturers' representatives, and with attorneys."

No inquiry among consumers. I will furnish that testimony on the 1921 law.

On such testimony the committee reported in favor of a $600,000,000 sales tax, to exist no longer than to June 30, 1934, and this last provision was opposed by both of the experts called for advice.

The evidence of witnesses who accompanied the Hearst $10,000 junket trip to Canada was inserted in the RECORD. Some of those witnesses were opposed to the sales tax, even on the statement of officials who alone were consulted. No consumers, apparently, had any voice at any time in the matter. The officials were discussing their duties, and naturally liked their jobs. I speak of this particularly, because in my speech of March 11, 1932, on pages 6032–3, I discussed at length the Canadian sales tax and cited labor organizations and others at St. Johns, New Brunswick; Hamilton, Ontario; Toronto, Ottawa; and elsewhere—all vigorously opposed to the sales tax then in force.

A sales tax at 2½-percent rate, not pyramided, to produce $600,000,000 would amount to $24,000,000,000 in purchases, but all these sales are expected to bring a profit to manufacturers, jobbers, wholesalers, and retailers. To take an extreme case, if a hundred percent is added to the sales price or 950 percent to the tax, as quoted from committee hearings on page 6020 of the RECORD of March 11 last (testimony of ex-Senator Hardwick), it would double $24,000,000,000 in purchases to $48,000,000,000.

This would not ordinarily occur, but it is reasonably certain that the 2½ percent with all these profits added would be increased to possibly 10 or 20 percent before the ultimate consumer paid the bill, and that would be 4 to 8 times the rate fixed by the committee, and would mean an added tax 4 to 8 times the $600,000,000 tax collected. Possibly $2,000,000,000 and more additional would be paid by the ultimate consumer to bring to the Government $600,000,000 in tax receipts as estimated by the committee. That tax has been reported to the House on the testimony of two witnesses, both of whom urged against enactment of any sales tax for the short period of 2 years.

Let me now quote from a speech made in the House February 21, 1922, when the bonus bill was up for consideration:

"HOUSE OF REPRESENTATIVES,
"*Washington, D.C., February 16, 1922.*

"DEAR COLLEAGUE: The proposal to finance the soldiers' bill with a consumption tax means to tax the living wage of labor, when the average man is receiving less than $500 pre-war purchasing power per family, and it taxes the farmer, whose average annual earning is $219 pre-war purchasing power, on all that his family consumes. In Canada it is estimated it increases cost of living from $30 to $50 per family, due to pyramiding of prices.

"Clothing, shoes, food, gasoline, machinery, everything not specifically exempted, is increased in price from 2 to 10 times the amount of tax according to Canadian experience. Sugar, 10 cents per pound there last month, was 6 cents here, according to official reports, and articles exempted this year are included next year. Every man, woman, and child, whether working or out of employment, pays the increased price through this "painless sales tax." Rockefeller and thousands of multimillionaires pay the same tax, while a half billion dollar tax means $2,000,000,000 or $3,000,000,000 added prices to those who consume. The Washington Times says, "Wall Street welcomes it", and as $500,000,000 was recently exempted from excess profits, luxuries, and high surtaxes over the consumption there is a reason.

"All American farming and labor organizations are unanimous against the tax, and they represent 85 percent of the consumption tax that will be paid, according to witnesses. A leading Republican Member from New York said to me not 10 Republican Members from New York will be returned if we pass a general sales tax. A complete Waterloo occurred in Canada for the Conservatives, who repealed the excess-profits tax and enacted a general sales tax and a high tariff law. High prices were the issue.

"No general sales tax law was ever enacted in this country in time of peace. No appropriation was ever before hung up with a special-tax tin can tied to it. It is a gold-brick tax to the soldier, who would help pay his own bonus, whether he has a job or not. Not one witness for a sales tax came before the committee to favor it, although many appeared against it. A sales tax is opposed by practically every disinterested tax expert and by labor and agriculture here and in Canada, where it has been tried and repudiated at the polls. In the RECORD of January 3, 1922, page 832, will be found conclusive testimony of many witnesses in this country and in Canada discrediting a consumption tax. Who is it asks for it and who pays for special trains and propaganda that covers local papers in a hope eventually to substitute this tax for the income tax now paid?

"The last bonus bill struck out a consumption tax in conference before it passed the House. Senators tell me the tax cannot pass the Senate. A bonus bill will pass the House, but if an open discussion is had, it will not contain a consumption tax.

"Very truly yours,

"JAMES A. FREAR."

Attention is called to a significant part of that speech in 1922 which ought not to be overlooked by any Member of Congress. When Canada woke up to the fact that a sales tax had been tagged on to the people the latter took action. I called attention in the RECORD of February 21, 1922, to a complete turnover of the Canadian Parliament which occurred at the election December 6, 1921:

"Prior to the election the Parliament stood—Conservatives, 120; Liberals, 84; Progressives, 14. The election gave Conservatives 51, Liberals 117, Progressives 65; or an opposition vote of 177 to 51, compared with a prior Conservative majority in a vote of Conservatives 120 to 98."

Quoting further from my speech—

"This tremendous overturning of the Canadian Parliament, according to my advices, was occasioned by a high protective tariff and a burdensome manufacturers' sales tax like that which is now being urged by committee members."

Let me continue as to politics, which is certainly as important as any wet-and-dry issue, because it is a burden upon the necessities of the people which they resented in Canada according to the following testimony:

"CANADIAN POLITICS

"From many letters of denunciation of the Canadian sales tax I quote the following as to the political issue with labor organizations:

"In a letter dated Toronto, Canada, December 13, from Toronto District Labor Council, it is stated:

"'While organized wage earners have not given any official expression regarding the sales tax, the general discussions on the political situation during the last few weeks leave no doubt as to their opinion. This system of taxation was soundly condemned by every speaker in any way connected with the labor movement officially. * * *

"'TORONTO DISTRICT LABOR COUNCIL,
"'JAMES WATT, *Secretary.*'"

"The foregoing is a square expression of labor in Canada on the subject of a sales tax and of its political significance when it was 'condemned by every speaker in any way connected with the labor movement.'

"FARMERS MAKE POLITICAL ISSUE IN CANADA

"From the United Farmers of Alberta the following statement is significant of the political issue last election, when practically all of western Canada was wrested from the Conservative Party:

"CALGARY, CANADA, *December 31, 1921.*

"President Wood has referred to me your letter of December 6 re sales tax. I may say that there is a very strong feeling against the sales tax, and that it was vigorously attacked by many of the speakers of the organized farmers during the recent Federal general election.

"The enclosed pamphlet entitled 'Sales Tax Hits the Poor Man,' (issued by the Canadian Council of Agriculture) is, I think, a summary of the arguments used against this tax during the campaign, while the Try Outs in Taxation also contains references to this matter. * * *

"I was interested to note that the sales tax in the United States is advocated by big business and financial interests, which fear the heavy income, excess-profits, and estate taxes. Exactly the same groups of interests advocated the tax in Canada, and you will note from the pamphlet Sales Tax Hits the Poor Man the representatives of the agricultural interests in this country were not consulted in any way in connection with the matter.

"Yours very truly,

"UNITED FARMERS OF ALBERTA,
"W. N. SMITH,
"*Educational Department.*"

"The sales tax was 'vigorously attacked' by many of the speakers of the organized farmers during the recent Canadian election. Results speak for themselves.

"WHAT CANADA DID

"Before the Ways and Means Committee Edward F. McGrady, speaking for the American Federation of Labor, said on February 3:

"'The members of our organization over in Canada joined with the farmers in protest against the sales tax, and at the last election on December 6 we were enabled to defeat all of those men who voted for a sales tax (p. 140).

* * * * * * *

"'You took off $450,000,000 from the corporations which made excess profits. * * * You reduced the surtaxes on incomes by the amount of $61,500,000. * * * In the last bill you repealed $60,000,000 in luxury taxes. * * *

"'It is an extremely dangerous proposition, and I predict if you impose a sales tax the people of this country will do what the people of Canada did when they had an opportunity—defeat everyone who voted for it (p. 141).'

"I am making no comment on this testimony taken before the committee excepting to disclose the political action taken by the people of Canada with reference to the Canadian manufacturers or sales tax.

"Another witness before the Ways and Means Committee, H. C. McKenzie, tax expert for the American Farm Bureau Federation, was asked:

"'Mr. OLDFIELD. Do you know personally that that (the Canadian sales tax) was an issue in the recent campaign in Canada?

"'Mr. MCKENZIE. Yes; it was an issue in the campaign, and the same interests that are opposed to the sales taxes and consumption

taxes in this country opposed them in Canada also. Labor and the farmers are opposed to it there and were fighting it there.'

"As stated by Mr. McKenzie, the sales tax was vigorously attacked in Canada by many of the speakers of the organized farmers during the recent general election. In order that it may not seem the opinion of labor in the letter on a sales tax was isolated, I again quote briefly from Canadian sources.

"From a number of letters the following indicates what the consumer thinks of the Canadian tax:

"ST. JOHNS TRADE AND LABOR COUNCIL,
"*St. Johns, New Brunswick, December 12, 1921.*

"* * * Yours of the 3d received, inquiring about the sales tax in force in Canada. * * * Briefly, the way the tax works is that each time an article is turned over or sold this tax is collected, and in these days of manufacturers, jobbers, wholesalers, retailers, and other middlemen it is easily seen where the tax lands us by the time the article reaches the consumer, for each time the article is sold the tax is collected and, of course, added to the next selling price, and a small tax of 1 or 1½ percent easily amounts up to possibly 10 percent or more in some cases.

"Fraternally yours,

"GEO. R. MELVIN, *Secretary.*"

"A SEVERE TAX ON THE WAGE EARNER

"HAMILTON DISTRICT TRADES AND LABOR COUNCIL,
"*Hamilton, Ontario, December 26, 1921.*

"* * * Re sales tax in Canada and its effects upon the wage earners, can only say that this tax falls with peculiar severity upon the wage earner. It is very much like a tariff, minus the protective benefits. It is passed on to the consumers in every instance. And as the working classes on a whole are the greatest consumers, they of necessity pay the greater share of the tax.

"This, however, is in strict accord with true capitalistic economics and administration. They are sternly opposed to all forms of direct taxation, which would mean that those who own approximately 85 percent of the wealth of the country would pay their just share of the taxes. This, of course, would never do. Hence the sales tax. Trusting that this information is answering your query,

"I am yours fraternally,

"[SEAL] "H. G. FOSTER, *General Secretary.*"

"Again I quote from another letter:

"TORONTO DISTRICT LABOR COUNCIL,
"*Toronto, December 13, 1921.*

"This tax was imposed to supersede the surplus-profits tax which was in operation during the later stages of the war.

"While organized wage earners have not given any official expression regarding the sales tax, the general discussions on the political situation during the last few weeks leave no doubt as to their opinion. This system of taxation was soundly condemned by every speaker in any way connected with the labor movement, officially or otherwise.

"My information leads me to believe that the tax is imposed on the manufacturers' output, the increased cost being passed on to the dealers, and eventually the consumers pay the tax in increased prices. Unlike the income tax and business tax, which recognize more or less the principle of 'ability to pay', the sales tax applies to consumers in the purchase of commodities, and if the consumer cannot pay the increased price by reason of the tax he goes without the goods. This sales tax largely applies to the necessaries of life, hence you will readily understand why organized workers oppose such methods of taxation when surplus profits are untouched. I am further of the opinion that the great majority of our people are unaware of what this sales tax really means; they pay the increased price without knowledge of the amount, no mention being made concerning the tax; to put the whole matter shortly, legally flimflammed.

"Yours truly,

"TORONTO DISTRICT LABOR COUNCIL,
"JAMES WATT, *Secretary.*"

"'Legal flimflamming' is a name with which to entitle the proposed sales tax here. If its passage results in a political turnover like that experienced by Canada a few weeks ago, it will evidence a well-grounded universal prejudice against flimflam games.

LEGAL FLIMFLAMMING

"One other brief statement I quote from a communication dated Ottawa, December 2, that is more of a résumé of the tax than is covered by other correspondence. It says:

"OTTAWA, ONTARIO, *December 2.*

"Ottawa this week received, entertained, and introduced to the intricacies of its sales tax act a party comprising 47 Members of Congress, representing 30 different States, railway men, newspapermen, and others. They came as the guest of Mr. William Randolph Hearst, with Hon. Lester D. Volk, of New York, as head. * * * But while the members of the party studied the sales tax act from a variety of angles, your correspondent ventures the assertion that they did not receive nor consider facts with reference to its application to the consumer.

"I do not believe that in their examination of government statistics they found that a man with a wife and one child in Canada pays $18.66 every year as a result of this form of taxation; that a man with a wife and two children pays $24.88; that families of varying sizes pay on the following basis:

Man, wife, and 3 children	$31.10
Man, wife, and 4 children	37.32
Man, wife, and 5 children	43.54
Man, wife, and 6 children	49.76
Man, wife, and 7 children	55.98
Man, wife, and 8 children	62.20

"In other words, the sales tax in Canada adds to the living expenses of a family of ten $5 a month. Families of this size may be 'unfashionable', but those who are not particularly stylish feel it to the extent as it applies, as illustrated above. Bachelors are lucky!

"These figures are based upon official statements. Sales-tax collections for the 12 months ended October last amounted to $52,870,000, while our population is approximately 8,500,000. This means a per capita tax of $6.22 for every man, woman, and child in Canada yearly.

"The following table strikingly illustrates what income and sales tax combined mean to a Canadian as compared with a citizen of the United States:

Canada	
Income—man, wife, and 2 children	$2,500.00
Income tax	4.00
Sales tax	24.88
Total	28.88
United States	
Income—man, wife, and 2 children	2,500.00
Income tax	8.00
Total	8.00

"The sales tax in Canada is, above all else, a tax on consumers. The more you buy the more you pay. It is paid in the majority of cases not on one able to pay but in proportion as one must buy things. With a person of means it is entirely optional whether he buys expensive furniture, limousine, etc., but in buying articles of ordinary consumption the average person has no choice. We must buy to live, to exist, and as we buy we pay.

"The sales tax increases the cost of living. There can be no doubt about it. In Canada it is not a tax on luxuries; it is a tax on everything; and we must have necessities before we have luxuries.

"CANADIAN TAX AND THE FARMER

"In this country it can be safely said that organized labor and organized agricultural societies are overwhelmingly opposed to a sales tax, as I have shown by reputable witnesses. In Canada the organizations are not so closely formed, but from the foregoing it may well be deduced that labor in Canada is against a sales tax. It could not be otherwise. Agricultural interests in Canada are not for a sales tax.

"The Winnipeg Grain Growers' Guide put it that a sales tax 'is immensely pleasing to those who had to pay the excess-profits and income tax and who care little where the burden of taxation falls as long as it doesn't fall on them.'

"It says:

"'The people want justice in taxation before convenience, and there is precious little justice in this proposed tax on sales.'

"Admitting that the sales tax is finding great favor with financial interests across the border, it adds:

"'To those who are not unacquainted with the ways of financial interests, the mere fact that the proposition emanates from their councils is enough to provoke suspicion, and when it is affirmed that the tax is "passed along in small fractions and is finally paid by the consumer, practically without his knowledge, and the additions are so trifling as not materially to affect prices", that such a tax would raise more revenue than the country actually needs, and that its adoption would lead to repeal of the excess-profits tax and the income tax, one begins to detect the "nigger in the woodpile." It takes a wizard of finance to maintain that some $500,000,000 a year can be painlessly extracted from the people of Canada.'

"In the RECORDS of January 3 and January 27 I furnished many statements from agricultural organizations of Canada. These will not be repeated, but I add a statement issued by the Canadian Council of Agriculture that every Representative in Congress may well read, because it gives the farmer's viewpoint of the manufacturers' sales tax, which, he declares, collects 53 percent of all the tax from farmers of Canada, because of their large purchases of things consumed and of things used, from shoes, sugar, and shirts to gasoline and machinery.

"The statement follows:

"'CANADIAN SALES TAX

"'SALES TAX HITS THE POOR MAN—AN EXAMINATION OF THE PRINCIPAL FEATURES OF THE FEDERAL GOVERNMENT'S BUDGET FOR 1921–22

"'Issued by the Canadian Council of Agriculture

"'The sales tax was the principal feature of the Federal budget for the fiscal year 1921–22, which was presented by the Minister of Finance, Sir Henry Drayton, before Parliament in May. By means of this tax the Federal Government expects to raise the additional revenue which is required to meet the increased expenditures of the present year, as compared with the revenue and expenditures of last year. It involves additional costs of living to every man, woman, and child in Canada, and treats them all alike, whether they be rich or poor, able to pay or not able to pay.

"'Therefore, the sales tax, which was first introduced in Canada during May 1920, is one that merits close study. This is especially true because it is intended to fall upon the great mass of the people, being levied, insofar as Canada is concerned, on a large number of the necessaries of life. It is thus primarily a consumption tax, which is another good reason why it should be thoroughly studied, for it is levied not in proportion to one's ability to pay but in proportion as one consumes. As first introduced, it was a tax of 1 percent on sales by the manufacturer or producer to the wholesaler or jobber, who in turn collected from the retailer. On sales made direct by the manufacturers or producer to the retailer the rate was 2 percent. In 1921 the rate was increased to 1½ percent on sales by the manufacturer or producer to the wholesaler or jobber; when the sale is made direct to the retailer the rate is 3 percent. Another tax of 1 percent is also collected on imports, the rate on such sales to the consumer being not less than 4 percent.

"'Taxes approximating to the sales tax were collected in Europe as far back as the Middle Ages, but coming down to the history of the last half century the sales tax made its appearance in Mexico nearly 40 years ago, during the regime of Dictator Porfirio Diaz. The finances of Mexico were then in a chaotic state; taxation, being very little understood, was only slightly discussed, and, as the Mexicans had to buy and sell, Diaz came to the conclusion that by taxing these absolutely necessary operations he could raise revenue, and he did.

"'The sales tax was next copied by the United States administration in the Philippine Islands. After the Spanish-American War, through which these islands passed to the United States, their business life was in a state of collapse; the Spanish market, on which they had depended largely, having been closed to them. Being desirous of bringing about free trade with the United States, the sales tax was introduced as a means of securing a substitute for the revenue that had chiefly come through customs levied on American imports. France in 1920 adopted the turnover tax, which in principle is similar to the sales tax, though more equitable in that in France it included services and transactions of all kinds, as well as commodities. Germany also has such a tax, which is very far-reaching in its effect.

"'WHO ASKED FOR IT?

"'Whatever may be said in favor of the sales tax, there is no doubt about it being an attempt to secure new revenue from the great mass of the people who work for a living. There is no pretension that it lightens the load of taxation resting on the masses; on the contrary, it is usually accompanied by measures designed to relieve the well-to-do of taxes borne by them. Canada's experience has demonstrated this in the most striking manner.

"'By whom has this tax been advocated? By the farmers, by labor, or by the great mass of those of small means? Influential financial, industrial, and commercial interests started the agitation. In March there was held at Toronto a conference on taxation attended by representatives of the Canadian Manufacturers' Association, the Canadian Credit Men's Association, the Retail Merchants' Association, and the Canadian Wholesale Grocers' Association. Neither the organized farmers nor labor were invited, though both would have sent representatives had their presence been desired. Note the recommendations made to the minister of finance by this gathering: 'That the business profits tax shall not be reenacted; that the income tax as regards corporations shall be repealed; that the present existing tax on confectionery shall be abolished; that the present sales tax shall be adjusted so as to provide the additional revenue needed by the Dominion Government.'

"'It is true that in 1920, when the sales tax was first introduced, no taxes were abolished or reduced. But in 1921, when the tax was increased, it was made to do the bidding of the interests represented at the Toronto gathering, and no others. Everything asked, save the repeal of the income tax affecting corporations, was granted, and the nature of the sales tax was thus revealed in its true light. No attempt was made to secure from the best-off portions of the community any part of the revenue thus lost. The masses were expected to make up what the big business interests were relieved of. Sixty-two millions of new revenue were required, and in the heavier sales tax was the only means provided for the raising of the money, which meant a per capita tax of $7 for the year.

"'SOME ABSURD CLAIMS

"'Who are the advocates of the sales tax in the United States? For the most part they are representatives of the big interests, the agents of great capitalists and war profiteers, who, though they did not dare to complain of taxation while the war waged, have maintained a loud clamor against it since peace was proclaimed. These interests have conducted a vigorous propaganda in favor of the sales tax, many of the arguments thus advanced having been reproduced in Canada. Never before had as many absurd claims and extravagant statements been made on behalf of any system of taxation as have been made by the American advocates of the sales tax. They have told the public that a 1 percent tax would produce so much revenue that no income taxes below $5,000 and possibly $10,000 would be required; that all surtaxes on incomes might be abolished, and that practically all the special war taxes might be allowed to go. So absurd are their statements that they call in question the whole case for the sales tax, so that the general public may well regard it with suspicion. They have been prepared to promise anything in order to get the opportunity to shift the load from their own shoulders. If the Cdanaian Council of Agriculture had lived on this side of the border no better, clearer, or more significant statement could have been written regarding the absurd and misleading promises of United States sales-tax proponents. They desire to substitute a sales tax for the present income tax in this country, as set forth by witnesses in my remarks contained in the RECORD of January 3. Canada spoke her judgment at the recent election.

"'REVENUE RECEIPTS DISAPPOINTING

"'Again, I quote from the Canadian agricultural report:

"'The sales tax can never be regarded as one of the main sources of revenue in Canada, since to make it so could only be done through a violent disregard of the best recognized principles of taxation, namely, that taxes should be levied in proportion to the individual's ability to pay them. As a source of revenue the 1 percent tax in Canada was far from being a great success. During the 11 months up to the end of April 1921 that it was in operation it brought in only $40,898,383. As a producer of revenue it failed most when money was most needed. In October 1920, when business was good and retail prices still high, the collections were $5,020,476, but in April they fell to $2,873,219, and were still falling when the tax was increased. As Parliament voted $620,000,000 this year, one can easily see how far a 1 percent tax would go to produce that amount. During the 6 months that the luxury taxes were in operation they brought in $2,000,000 more than the sales tax did during the whole 11.

"'Advocates of the sales tax make much of the fact that it is easily collected, and they confidently assert that nobody feels it. A tax collected on the necessaries of life that all must have cannot fail to bring in a certain amount of money. But the question of the equitable nature of the tax must also be considered. Armies of occupation, through compulsion, sometimes succeed in raising large sums of money from comparatively poor countries; but to say that it can be collected is not sufficient justification for a tax. The sales tax is inequitable if for no other reason than that the poor man, who must spend practically all he earns, pays the tax out of what should go for necessaries, whereas the rich man pays it out of his surplus. The rich man, who spends several months in the year out of the country, escapes the tax; but the man who cannot afford to go away, pays.

"'LET THE CONSUMER BEWARE

"'The claim that the consumer did not feel the payment of the 1 percent tax is open to question. It is absurd to say that an already heavy taxed public does not feel the taking of another $40,000,000 from it, especially when the greater part of it is taken from the poorest paid. Surely, no one will contend that the new tax, which on domestic sales is at least 3 percent by the time it reaches the consumer * * * and the tax on imported commodities, which is 4 percent in such case * * * is not felt. It is difficult to determine definitely how much the cost to the consumer is increased by the sales tax, but the probability is that the 1921 rate will increase costs generally about 5 percent. On certain imported goods, on which the tax will never be less than 4 percent, the cost may be increased as much as 8 percent. This is especially true of commodities such as rubber tires, into the manufacture of which many imported materials enter. The effect of the tax in increasing the cost of lumber became so apparent that a reduction was made to the effect that the tax on sale of domestic material should not exceed 2 percent; on sales of imported lumber the rate was fixed at 3 percent. Even at these rates the tax is considerable to the settler who must build a house and outbuildings. It is, moreover, to be observed that the additional 1 percent on imports will have the effect of raising the home price on all such articles as are taxable. Experience with the tariff leads one to expect this.

"'The consumer is bound to feel the effects of the 1921 tax more than that of the preceding year for the further reason that the list of tax-free commodities has been much reduced. The following, which were exempt in 1920, are now taxed: Salted, smoked, and canned meats, soups, tea, coffee, condensed coffee, milk foods and similar milk products, sage, tapioca, macaroni, vermicelli, split peas, pea meal, rice, rice flour, cornstarch, potato starch and flour, canned and desiccated fruits and vegetables, maple, corn, and can sirup, and imitations thereof. No argument is required to show that the taxing of these articles is a very considerable additional levy on consumers. It is worthy of special note that tea and coffee, being imported articles, bear a tax of at least 4 percent. This is taxing the poor man's breakfast table, which most governments are now loath to do.

"'In the case of many persons enjoying but a small salary, or income, the sales tax practically cuts away the exemptions from the income tax. On an income of but $2,000 a year a married man pays no income tax; but calculating the per capita sales tax at $7, then if he has a family of four, he will pay $28. The head of a family of four—that is, a wife and two children—having a salary of $2,500 pays but $4 in income tax; but his sales tax will now take from him seven times that. And the examples to this effect could be multiplied.

"'AN INSIDIOUS TAX

"'One of the most dangerous features of the sales tax is its insidious character. So-called "painless" extraction methods of taxation are always to be feared, for, in a quiet way, they touch the average person most effectually. Definite knowledge of what taxes the individual pays is one of the surest safeguards against inequitable taxation. By the "painless" sales tax it is proposed to take this year $23,000,000 more from the consumers of Canada than was taken last year. What is the use of making a fight over the tariff if the money which it is hoped may thereby be saved is to be taken away by another method?

"'Additional danger lurks in the possibility that, having brought about its introduction, certain interests that have been benefited may further use it to shift other burdens from their shoulders. It is well known that they are restive under the tax on higher incomes, and also under the surtaxes, and it may be taken for granted that an attempt will be made to shift these onto the backs of the masses. The signs are not wanting that some of the most important political battles of the not distant future will be fought over the question of taxation.

"'There should be an insistence that taxes conform to the well-known canons of taxation laid down by Adam Smith in the following: "The subjects of every State ought to contribute toward the support of the Government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue that they respectively enjoy under the protection of the State. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observance or neglect of this maxim consists what is called the equality, or inequality, of taxation." According to this standard, the sales tax is weighed in the balance and found wanting.

"'Winnipeg, August 1921.'

"In view of the foregoing statement founded on actual Canadian experience, will any man say the tax does not unjustly hit the poor man, and will anyone say it is not and was not a political issue that helped overthrow the conservative Canadian Parliament and reduce it to a hopeless minority?

"SUGAR

"Another statement in my letter quoted sugar at 10 cents per pound in Canada, while it is only 6 cents here. That statement has been challenged. I am glad to give my authority:

[From the Labor Gazette, Canada, Jan. 1922, pp. 92 to 99]

December prices for sugar

	Cents per pound
Nova Scotia	9.6
Ontario	9.3
Manitoba	9.7
Saskatchewan	10.1
Alberta	10.2
British Columbia	9.4
Moose Jaw	10.7

Average cost of living over 1913

[P. 90]

	Percent
Food	50
Fuel	87
Clothing	73
Sundries	81

"Remember that the purchasing power of the farmers' products in Canada, as in this country, makes a difference of more than double the prices here quoted to the farmers' disadvantage.

"Acting undoubtedly with the aid of advice, the President wrote Chairman Fordney regarding the soldiers' bonus bill. Suggestions from that high source are welcomed by every member of the party who has a legislative responsibility, however humble. In fact, I yield to no man in my appreciation of and high respect for the Executive; for the many difficulties he has met and surmounted as the party leader following an unprecedented industrial and economic war chaos and his world position rising far above rulers of all nations through the recent peace accomplishments of the Washington conference. I do not need to say more, and I speak from the standpoint of a lifelong Republican.

"The House has its constitutional duty to perform of providing revenues, and in its legislative work the added responsibility of securing agreement with the Senate. Following suggestions from the Secretary of the Treasury, the House Members sought to provide special taxes with which to finance the bonus bill, although in so doing a precedent would have been inaugurated that necessarily brings criticisms and protests against any tax and against any measure that requires a direct tax. It is not only an unprecedented method of legislation but manifestly unjust to the measure to be financed.

"The proposal invited committee disagreements and the President's letter containing suggestions followed. It suggested temporary delay if desirable in order to meet Treasury conditions, and to permit full cash payments to all service men and a general sales tax as a method of securing quick funds. Representatives of national ex-soldiers' organizations called before our committee referred to repeated promises for early action, objected to delay in the passage of the bill, and urged its speedy enactment as prepared with the five options. Asked specifically about full cash payments, they said that would prevent the acceptance of certificates or of issuance or home-building options in the bill that had been carefully prepared and long and seriously considered with a view to granting permanent aid in the majority of cases. If offered all cash in amounts of $500 or $600 as is construed from the letter instead of continuing payments, the temptation would be offered all men to take cash and ignore other provisions.

"The sentiment of agriculture and labor in this country on the subject of a sales tax based on recent expressions is as follows:

"'STATEMENT OF SAMUEL GOMPERS, FEBRUARY 16, 1922

"'Organized labor stands 100 percent for the soldiers' bonus, but is opposed to a sales tax as a means of raising revenue for the bonus, just as it is opposed to a sales tax to pay any debt contracted by the Government.

"'The attempt to attach the worthy proposal for the bonus to a most vicious measure inimical to the rights and interests of our citizenship is a flagrant manner of incurring the people's resentment to a just cause.

"'Labor recognizes in the proposal to attach the sales tax to the soldiers' adjusted compensation bill a subterfuge intended either to defeat the bonus or to create a feeling of resentment against the veterans of the World War by placing the burden upon those least able to bear it, and by permitting the escape of those who profiteered so relentlessly during the period of the war and since the war.

"'The bonus should have the approval of Congress, but to create a sales tax would be to turn a measure of justice into an imposition and an injustice upon the whole people.

"'The position of labor upon the sales tax is stated officially in the following resolution:

"'"*Resolved*, That the American Federation of Labor in convention assembled declares against the imposition of a retail or general sales tax or turnover tax, or any other tax on consumption, and opposes the repeal of the excess-profits tax, and demands that the highest rate of taxation levied during the war upon incomes and excess profits be retained until the full money cost of the war has been paid."

"'Congress refused to adopt the sales tax as a part of the general revenue provisions. That proposal should not now be used to becloud the merits of a measure intended to do justice to those who patriotically defended the country in its hour of need.'

"'Many other recent statements from labor have been quoted in previous remarks, but I will only repeat extracts from one that is concise and indicates the way a sales tax is regarded by American consumers generally:

"[Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen]

"CLEVELAND, OHIO, *January 14, 1922.*

"*To All Members of the Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, Order of Railway Conductors, Brotherhood of Railroad Trainmen in the United States:*

"DEAR SIRS AND BROTHERS: The attention of all members is called to the proposed sales tax bill introduced by Congressman Volk, of New York. It is the intention to raise $2,000,000,000 a year by a sales tax upon everything you consume. In order to have this bill put over and become a law, they have tied it up as a part of the bill for a bonus for soldiers. We think all workingmen agree that the soldiers who fought for their country are entitled to a bonus, and that such a bill should be passed, but, in our opinion, it is not necessary, in order to pay this bonus, that the working people of the United States should be taxed through a direct sales tax bill to the amount of $2,000,000,000.

* * * * * * *

"The sales tax bill can be killed most easily by the enactment of a rapidly progressive tax upon estates, by restoring the excess-profits tax, by retaining heavy taxation of large incomes, by levying a small tax on the value of land in excess of $10,000, with an exemption to all farmers who receive less than $3,000 income per year, as provided in the Keller bill. Senator LA FOLLETTE has introduced such an estate tax bill (S. 2901), and it has been referred to the Senate Committee on Finance.

"Hoping you will give this your prompt consideration, we remain,

"Yours fraternally,

"W. S. STONE,
"*Grand Chief Engineer, Brotherhood of Locomotive Engineers.*
"W. S. CARTER,
"*President Brotherhood of Locomotive Firemen and Enginemen.*
"L. E. SHEPPARD,
"*President Order of Railway Conductors.*
"W. G. LEE,
"*President Brotherhood of Railroad Trainmen.*"

"AMERICAN FARMERS

"The American Farm Bureau as late as February 17 of this week—yesterday—issued a letter to Members of Congress on a sales tax, which I am advised was passed upon by President Howard and other responsible officers. It is as follows:

"AMERICAN FARM BUREAU FEDERATION,
"*Washington, D.C., February 17, 1922.*

"*To Members of Congress.*

"DEAR SIRS: The American Farm Bureau Federation is against the sales or manufacturers' tax for raising the soldier bonus as suggested by the President. We feel it is just as uneconomic to place a sales tax upon the people for the purpose of giving a bonus to the soldiers as it is for raising revenue for general Government expenses. The sales tax is levied upon food, clothing, and the necessities of life of the average man and does not take the money from those who are most able to pay.

"Taxes are already exceedingly high and a sales tax would only mean further burden upon the average individual, and when we stop to consider that the average income of each man, woman, and child in this country whose income is below the income-tax level is only $333 per year, the American Farm Bureau Federation believes it would be a rank injustice to raise further revenue for the soldier bonus by this method. It would take away from these

people any prospect of accumulating a competence no matter how small, and would blight their hope of bettering conditions. Not only would it cut off their opportunity for saving but in countless instances it would mean less food, fewer shoes and stockings, less coal for the stoves, and more crowded living quarters. It must be remembered that the bulk of the revenue, if secured by a sales tax, will be derived from the taxes on food, fuel, clothing, and shelter.

"We feel that the passage of the sales tax would cause many farmers so to shape their farming operations as to be more nearly self-sustaining, and therefore still further reduce business operations of our country. The farmer now gets only 37 cents of the consumers' dollar and a sales tax will reduce that amount. We are glad, however, that Congress has seen fit to discard the proposed sales tax once, and the federation sincerely hopes that it will do so again.

"Very truly yours,

"AMERICAN FARM BUREAU FEDERATION,
"GRAY SILVER, *Washington Representative.*"

"I cannot make this any plainer than by quoting a short letter recently received from representatives of the American Farm Bureau Federation. In these letters they assume to speak for an agricultural organization numbering between 1,000,000 and 2,000,000 active members. They denounce all consumption taxes that in like manner are denounced by Canadian labor and agricultural interests, speaking from the standpoint of the consumer.

"I quote:

"AMERICAN FARM BUREAU FEDERATION,
"*Chicago, Ill., December 27, 1921.*

"Hon. JAMES A. FREAR,
"*House Office Building, Washington, D.C.:*

"Replying to your letter of December 23. The American Farm Bureau Federation is unalterably opposed to any general sales or turnover tax, a manufacturers' tax, or any means of shifting the bulk of the taxes from income to consumption taxes.

"The more the matter is agitated and the better the people come to understand what is involved the more determined they become in their opposition, and this policy, if persisted in, will surely bring calamity to its advocates.

"It takes from the farmer, the laborer, and all those below the income-tax level a part of their living, and the bulk of the tax would necessarily come out of the necessaries of life—food, fuel, shelter, and clothing.

"It is an effort to shift to the 90,000,000 people below the income-tax level the burden of the war taxes; it would absorb a considerable part of what buying power they now have, and thus sink us still deeper in the slough from which we are trying to extricate ourselves.

"It would stir up such a social ferment as we have never had in this country, and is both socially unjust and economically unsound.

"It is opposed by all the agricultural interests of the country as well as by organized labor. Political madness lies that way.

"Yours, truly,

"H. C. MCKENZIE,
"*Tax Representative.*"

"The following letter from President Howard is equally positive in statement:

"AMERICAN FARM BUREAU FEDERATION,
"*Chicago, Ill., December 28, 1921.*

"Hon. JAMES A. FREAR,
"*Committee on Ways and Means,*
"*House of Representatives, Washington, D.C.*

"DEAR MR. FREAR: * * * We believe that taxes should be levied according to the measure or ability of the individual to meet them, and are particularly opposed to the so-called "sales tax or turnover tax." Its enactment would place an undue burden upon the farmers of the country, due to the fact that their income both on labor and invested capital is, and always has been, below that of any other class of our people, while at the same time we are of necessity very large consumers not only of food and clothing but of steel and iron products, building materials, etc. The sales tax would add to the costs of all these things, which burden would be strenuously opposed by all farmers. Not only that, such a tax would react on industry by further curtailing the farmers' purchases, and industry is already suffering from that very cause. * * *

"Very truly yours,

"AMERICAN FARM BUREAU FEDERATION,
"J. R. HOWARD, *President.*"

"Yesterday, February 16, the National Grange, composed of over 1,000,000 members, gave out the following statement:

"'GRANGE PROTESTS SALES TAX

"'The National Grange, through its Washington representative, T. C. Atkeson, in letters sent today to Senator McCumber, Chairman of the Senate Finance Committee, and Representative Fordney, Chairman of the House Ways and Means Committee, declared it is "unalterably opposed to the sales tax or any form of direct consumption tax for the soldier bonus or for any other purposes."

"'"The sales tax is a deliberate effort to shift tax burdens from those best able to pay to those least able to pay", the letters said. "Once a sales tax is inaugurated, backed with the power which is now urging it, it is doubtful if it could ever be set aside, and we can look forward to steadily diminishing taxes on large incomes and inheritances and to steadily increasing sales taxes to pay the burden of government."

"'"The National Grange", Mr. Atkeson continued, "has suggested an excess-profits tax to pay the soldier bonus. Should that be inexpedient, the tax decided on should be so levied that it will not be levied to the direct cost of necessities of the great number of people of limited income."'"

"The national farm meeting called by President Harding recently, in Washington, passed the following resolution against any sales tax. I quote from editorial that shows the protest against a sales tax:

"[From editorial page of Farm and Home for March, Chicago, Ill., and Springfield, Mass.]

"'THE SALES TAX—UPON THE NECESSARIES OF LIFE—THE POOR SHALL PAY THE TAX—THE RICH MAY LARGELY ESCAPE THIS TAX

"'We positively and earnestly protest against any consumption or sales or manufacturers' tax, or any other tax which shifts the burden onto those lease able to pay, onto the necessaries of life, and has proved disappointing financially and unjust socially wherever tried. Unanimously adopted by national agricultural conference at Washington, January 27, representing all phases of farmers' thought and farm activity.

"'This tax is now urged on Congress—a tax on sales—within 3 weeks of the day that the farmers' conference at Washington unanimously protested against such a tax. The common people, the masses, unitedly oppose it.

"'If this tax is imposed, it means that you will have to pay an extra tax of probably 3 cents on every dollar you spend. Of course, the retail prices that you pay will be correspondingly increased. Worse yet, the wholesale price that you get for your produce when sold will be correspondingly decreased.

"'Thus you, the farmer, the producer, the worker—all persons of moderate means—may be forced to pay the equivalent of not 3 cents, but somewhere between 5 and 10 cents extra upon every dollar you spend, while having as much more deducted from every dollar's worth of stuff you produce and sell.

"'WEALTH ESCAPES TAX

"'Did you notice how theaters, financiers, and other special interests protested in unison against the righteous plan of taxing amusements, speculation, excess profits, and great wealth? Those powerful interests are so highly organized that they made their protest effective within 24 hours.

"'The logical result is now the proposed sales tax. It will be but trifling upon those best able to pay, while a well night insufferable burden upon everyone least able to stand additional taxes.'"

"The National Board of Farm Organizations is equally opposed to the sales tax, and its secretary, Mr. Lyman, sends a letter which also contains cumulative testimony from the secretary of the Canadian Council of Agriculture against a sales tax. I quote:

"NATIONAL BOARD OF FARM ORGANIZATIONS,
"*Washington, D.C., January 24, 1922.*

"Congressman JAMES A. FREAR,
"*House Office Building, Washington, D.C.*

"DEAR MR. FREAR: I have gotten in touch with Canadian people in regard to the sales tax, and I hope to have a definite reply soon.

"In the January 14 issue of the Prairie Farmer, published in Chicago, a copy of a letter from N. P. Lambert, secretary of the Canadian Council of Agriculture, appears as follows:

"Our organization throughout the whole country is strongly opposed to the sales tax. The principle of this tax is wrong in our opinion, being based on the consuming capacity of the great masses rather than their ability to pay. The sales tax was in vogue in the Middle Ages, in such countries as Spain, but today I believe the only countries that have used it to any extent are Mexico, Germany, Philippine Islands, and, I think, France. It is generally regarded as a confession on the part of any country that adopts it that all other sources of revenues have been exhausted."

"This appears to throw an entirely different light on the matter as far as the Canadian farmers are concerned and is also in line with my previous understanding of the real position taken by the farmers in that country.

"Sincerely yours,

"CHAS. A. LYMAN, *Secretary.*"

"From recent committee hearings another farmers' organization representative is quoted:

"[Hearing, Jan. 20, 1922, p. 35. Benjamin Marsh, Farmers' National Council]

"'Mr. MARSH. Gentlemen, I wish some of you had taken the trips which I have and talked with these farmers and workers—some workers who have been out of a job for 6 or 8 months and every last dollar gone, and the farmers, who are broke, absolutely—and when you talk about a sales tax—I want to tell you that the sales tax is the dead line politically for any party, and deservedly so.

"'Mr. FREAR. Mr. Leffingwell agreed in his opposition to a sales tax and so did Dr. Seligman when they were before our committee.

"'Mr. MARSH. And so do something like 20,000,000 voters. They would be interested vitally.'

"And from scores of witnesses named in RECORDS of January 3 and January 27 I quote two men of acknowledged standing and fairness who recently appeared before our committee:

"'Mr. SELIGMAN. It is true, I assume, that the general principles governing democratic taxation in this country would continue and that no democratic country would intend to pass or for a moment consider a tax on consumption, because it is only in time of war that there is any need for the restriction of consumption,

whereas in time of peace you want to increase consumption that you can increase production and industry and prosperity.'"

"[Hearing, Jan. 19, 1922, p. 22. R. C. Leffingwell]

"'Mr. LEFFINGWELL. The economic and social objection to a sales tax or to any indirect tax is that it hits the man who has to consume the things that his income will buy, because his income is so small and his family so big—out of all proportion to his income—so that the tax is much heavier on him than it is on the man who has a great big income and has to spend a very negligible proportion to meet his tax.

"'I believe that the sound principles of taxation are going to come to be recognized by all parties, because they go to the root of social content; and whether we are Republicans or Democrats, and whatever our school of economics and whatever our historical thought about questions like the tariff, whatever our instincts about a sales tax, it is coming down to this, that you cannot afford to put the inordinate burdens of the modern state upon the shoulders of the consumer, who has to spend all of his income to keep alive.'

"Not one witness favoring a sales tax appeared before the Ways and Means Committee. In fact, this tax seemed friendless until it was suddenly proposed as a means of financing the bonus bill. No chance to examine witnesses has been afforded the committee to expose the character of the tax.

"SALES TAX VERSUS EXCESS-PROFITS TAX

"A comparison of those opposed to a sales tax and advocating the reenactment of an excess-profits tax is not complete without presenting another picture that comes from the lips of a man whose wonderful power of analysis is rarely equaled in or out of Congress. I quote from a soldiers' journal, March 1922, called Treat 'Em Square. It gives the ex-soldiers' viewpoint, and on page 29 contains the following from a public speech of a distinguished United States Senator:

"'Why should not the very wealthy seek to escape? Mr. President, they have been seeking to escape and have been making a great battle along that line.

"'WEALTH ESCAPES BURDEN

"'Along last winter I happened to be in the city of New York. A friend of mine extended me an invitation to go with him down to the Economic Club. As I always have been obliged to practice economy, I thought I would learn something that would enable me to continue the habit of my life; but when I reached this assemblage, a very costly banquet—I make no point of that, because my friend paid for the ticket—I think I can say that there were several billions of dollars represented around those tables, and a speech was made in favor of a sales tax, and the leading speech was made by a broker who is said to be the largest broker in the world, and to have transactions in a single day which frequently equal $50,000,000. He is not at all a bad citizen. He is a good broker. That is the best and the worst you can say of him.

"'But, viewing the question from his standpoint, it was but natural that he should think in the terms of his clients' interests, and his clients were the great institutions engaged in floating vast blocks of stocks and of bonds; and as they filtered through his office of course they paid some tribute on their way to the ultimate consumer, the customer who buys these securities. When he told that multitude of a plan that would distribute the taxes everywhere so that everybody would have to pay, so that there would be no escape, and that the taxes would not be paid by the great institutions of the country but would be borne by the entire mass of the people, the champagne glasses were put upon the table and highballs sat unconsumed while the assembled enthusiasts cheered the sentiment to the echo.

"'SHIFT BURDEN TO POOR

"'Of course, he said, the tax was passed on, like all taxes; therefore it might as well be paid by the common people at the beginning as at the end, in one way as in another; and then he told us in the next breath, as we have been told on this floor, that the burden upon business is so great that business cannot prosper; that is to say, they tell you in one breath that business does not have to pay the tax at all, and in the next breath they tell you that it is so oppressive that business cannot live if you exact it. Now, you cannot have both ends of that argument. If the tax is passed on it hurts nobody; particularly it does not hurt the man who first pays it and passes it on. If the tax is not passed on, then the other argument fails and it becomes apparent that the common people of the land who have but little pay only a little, while those who have much must pay in proportion to their wealth.

"'That was the initial movement; it was, if you please, the kick-off in the great game that was proposed to be played which had for its purpose the removal of excess-profits taxes, surtaxes, and corporate taxes.

"'Senators may vote to table this amendment [on excess profits] when it comes up, but I repeat, every man who votes to table it will vote against it * * * will cast a vote in a way to save himself from a direct vote; but if he does it he will vote to kill the soldiers' bonus, and at the same time he will vote to take off the excess-profits taxes, and that would be worse than to vote directly on the proposition.'

"I have quoted from a soldiers' magazine that in turn quotes from the official CONGRESSIONAL RECORD containing the debate in the Senate. Whatever we may think of the general sales tax or the excess-profits tax, is it not time to pause and reflect on the Canadian record and the political situation we are inviting in this country by adding a sales tax to the soldiers' bonus bill?

"THE ANTI-SALES-TAX VOTE

"This sales tax was rejected by Congress when the revenue bill was passed a few months ago and received slight consideration then because it has always been a disappointment in estimates and in equity. In France revenues per month fell to 43 percent of estimates within less than a year and fell in Canada to 57 percent of estimates according to report. The tax is a tax on the living wage and the poorest man who walks the streets out of work and the rich man find a common level for the first time financially in this consumption tax. Politically they also stand on the level. I have quoted from farm organizations representing in membership between three and four million adults, which membership is against a sales tax, if the representatives speak for the membership. I have quoted from the highest officials of organized labor and of the railways representing a combined membership of several million adults, all of whom have reason to oppose a sales tax on the living wage. From seven to ten million adults and their families reaching one half of the total vote conservatively may be estimated to be the combined farm and labor vote opposed to a sales tax or a tax on consumption, if that vote is cast as it was in Canada.

"When wealth is anxious to shift its income tax over to the consumer, even as it has shifted $500,000,000 taxes this year, it is well to ascertain what interest organizations now urging a sales tax have in the matter. These questions were discussed in the RECORD of January 3. If it be a fact that farming and labor interests have a combined adult population of 10,000,000 people or more at a modest estimate, their influence may be measured if they feel the consumption tax is now being aimed at them to relieve wealth from its fair share of taxation.

"At a late moment I insert a letter written to every Member of the House by a number of Members that gives further reasons for opposing any sales-tax provision to the bonus bill.

"THE SALES TAX IS FUNDAMENTALLY WRONG

"The letter is as follows:

"'DEAR COLLEAGUE: We, the undersigned, who favor the soldiers' bonus bill, urge you not to consent to any manufacturers' or other sales tax as a means of raising revenues for meeting this obligation. We believe the economies effected by this Congress in the ordinary governmental expenses, together with the very substantial reductions to be made in the appropriations for the Army and Navy as a result of the disarmament conference, will very nearly provide the money with which to meet the cash payments as contemplated under the provisions of H.R. 1. It is estimated that something more than $100,000,000 in addition to the above savings will be needed annually for the next 2 years to meet the bonus, after which the revenues will be ample to meet all demands.

"'This $100,000,000 annually, or $200,000,000, if need be, can easily and readily be raised by the issuance of short-term certificates. You will recall that the Treasury Department a short time ago placed upon the market short-term certificates in the amount of $400,000,000, and the records disclose the subscriptions for this issue were approximately $1,200,000,000, or three times the amount of the issue. Neither during the time these certificates were being sold nor since has there been the slightest indication of an adverse effect upon the money market, but instead it is since then the country has witnessed the greatest strides toward the return of normalcy. The report of the Comptroller of the Currency indicates a constantly increasing improvement in our financial affairs. Consequently we believe there is undue alarm as to the possible effects of an issue of short-term certificates in order to meet the demands of the bonus.

"'The President believes the ex-soldier should be paid the cash bonus all at once and that it should not be spread over a number of payments. This would require an expenditure of $1,500,000,000 within the next two years. He suggests a general sales tax as a means of raising this sum. Clearly, if this amount of money is to be raised by this means in one year or two, the tax must be applied to everything, including the actual necessities of life.

"'Just how this tax works out in fact is best exemplified by the Canadian sales tax as applied to sugar. In Canada sugar is produced under almost exactly the same conditions as in the United States. They produce beet sugar in large quantities, and cane sugar is imported from the Tropics and refined. The expense of these operations is on a standard with similar operations here. In January sugar was retailing at 10 cents per pound in Canada and 6 cents in the United States. The tax there is a semi 1½-percent turn-over. The manufacturer or importer is taxed 1½ percent and the jobber 1½ percent—in all, 3 percent. Three percent on 6 cents—the price of sugar where the sales tax does not apply—is 1.8 mills, and if the amount of the tax only was collected from the consumer, the Canadian would be paying $0.0618 per pound for his sugar instead of 10 cents. When the merchant sells 100 pounds of sugar and collects the tax thereon, he collects 18 cents for the treasury and $3.82 for himself, the jobber, and the wholesaler, or more than twenty-one times the amount of the tax. And yet certain people proclaim this a "painless" tax.

"'Ninety millions of our people, whose income is below the income-tax level, have an average annual income of less than $350. These 90,000,000 will pay 85 percent of the revenue derived from a sales tax in addition to the billions which will go to the manufacturers, jobbers, and retailers as a result of such tax. Millions are out of employment, and the farmers of the country are in dire straits. To add to their burdens would be a calamity.

"'Wall Street is openly in favor of a sales tax, according to an afternoon paper. It is known that back of the propaganda with

which the country has been flooded during the past 2 years are the strong manufacturers' organizations. If this tax was to be absorbed by the members of these organizations, would they be advocating it? We think not. We believe they recognize fully that a sales tax is an ideal method of further increasing profits.

"'We wish also to call your attention to the fact that if a sales tax is placed upon the statute books for the purpose of raising funds for the bonus, it is going to be but 2 years until the revenues raised in this manner can be no longer used for this purpose. The bonus will then have been paid. We believe that when this time comes it will be most difficult to repeal such a law, for the reason that every special and favored interest in the country will demand its retention, and also insist that the tax on wealth be further reduced. When this is accomplished the process of the shifting of the burden of taxation will be complete.

"'We believe the sales tax to be fundamentally wrong and that it will never be countenanced by the American people.

"'If the Ways and Means Committee should report out a bill carrying this tax feature, and a special rule which in any way abrogates the right of any Member to offer amendments to the tax provision should be presented to the House, we earnestly ask that you vote against such a rule. If there is to be a tax provision in the bill, it is extremely important that there should be a full and free discussion as to what this provision shall do.

"'Respectfully yours,

"'Horace M. Towner, C. Frank Reavis, M. E. Rhodes, Florian Lampert, Oscar E. Keller, Edward E. Browne, John M. Nelson, A. P. Nelson, M. Clyde Kelly, Henry E. Barbour, Joseph D. Beck, Royal C. Johnson, L. J. Dickinson, John I. Nolan, Edward Voigt, Roy O. Woodruff, Louis C. Cramton, Phil D. Swing, W. Frank James, James A. Frear, John C. Ketcham, L. M. Gensman, Robert E. Evans.'"

In view of the fact that this bill may be squeezed through the House notwithstanding its peculiar character and later meet with the fate it deserves in the Senate, I am submitting further testimony for the use of the latter body in case the eminent authorities at the other end of the Capitol should desire any arguments beyond good judgment that would seem to reject any sales tax now or at any other time when it is recognized that it violates every principle of taxing those according to their ability to pay and is based upon the necessities of the taxpayer placing the poorest consumer in the proud position of an equal taxpayer with Rockefeller who lives on Shredded Wheat and the simplest food.

I now quote from a speech of January 31, 1921, found in the RECORD of that date, and if by chance a portion of the testimony I have given should be repeated it will be unintentional but may serve to further remind us of facts which may have been forgotten.

A portion of the discussion is given to a turn-over sales tax, as well as the manufacturer's sales tax now before us, but the principle is the same, although the manufacturers', with smaller pyramiding, does not present all the difficulties and injustices of a turn-over tax.

"A WAR SALES TAX DURING PEACE

"Propaganda for the passage of a consumption sales tax by Congress is vigorously being waged. The stakes are $800,000,000 now paid from corporation excess profits that would then be shifted to the backs of 100,000,000 people, who must consume in order to live. Should this tax be shifted?

"Mr. FREAR. I desire to express the embarrassment of trying to discuss a question that ordinarily would take an hour and a half or 2 hours in the time allotted to me, which must be apparent to every Member of the House. We have a peculiar legislative situation in the House, that men can get recognition to speak only on general supply bills except by unanimous consent. When the supply bill is under discussion objection is often made that we cannot speak at that time on matters that are of the most vital importance to the Government but must confine our remarks to the bill. Think of the absurdity of this position of an intelligent body of men acting here on behalf of their constituents and for the country under such circumstances. [Applause.]

"Mr. Chairman, the proposition that I desire to discuss is one which proposes to repeal the present tax involving $800,000,000 under the excess-profits tax, and imposing in lieu thereof a tax of $1,000,000,000 by what is known as a sales tax known as 'the turnover sales tax.' Every man in this House should be informed on that subject before he votes, and there is no way under heaven in which you can learn the facts except by someone digging into them and ascertaining what laws are in effect in other countries, and whether those laws have been effective or not.

"I will say this briefly, that there have been several men here before the Ways and Means Committee—intelligent men, very able men—advocating the enactment of a general turnover sales tax, which, as you know, is imposed in Germany and in the Philippine Islands and in Mexico, the only three countries that impose it effectually. There they tax the sugar and tea and everything that they eat and drink on every turn-over that may be had. The ablest body of men that has met in this country to consider this subject, known as 'the National Industrial Tax Board', have brought in a report showing how entirely objectionable that system would be for this country. The United States Chamber of Commerce, through its tax board, acting intelligently and weighing all the arguments, has brought in practically a similar report, which I will incorporate in my remarks.

"Mr. MADDEN. Will the gentleman tell how many turn-overs there are?

"Mr. FREAR. I will. There are practically 9 turn-overs in the case of cotton goods and woolen goods, 8 turn-overs in the case of leather goods, and 7 or 8 in the case of steel; that is, from the original ore up to the time of the finished article. What applies to these articles applies with equal force to almost everything we use. In other words, this proposed tax of 1 cent on each turnover has to be applied from 5, 6, and 7 to 9 times.

"But that is not the worst. You will find that in many cases where the present tax on luxuries is imposed they have raised the price of the goods sometimes 400 percent during the different turn-overs.

"Mr. Chairman, our Government is facing an annual tax burden five times the size of its pre-war expenditures. During the recent war large receipts were had from excess-profits taxes on corporations and on personal income taxes due largely to the surtax. Congress now is facing a well-organized propaganda, based on assumed economic arguments, for the repeal of the excess-profits tax and for a reduction on income surtaxes. Another extensive, well-organized propaganda exists which demands the passage of a turnover consumption tax law, with a sweeping tax on all necessaries of life, which bill is pressed for passage by Otto Kahn, Julius Bache, Myer Rothschild, and others who have appeared before the Ways and Means Committee urging a turnover sales tax. Practically no opposition arguments have been presented to the committee.

"Only limited study has been or can be given this vastly important subject by the average Representative in Congress, and I am not assuming to speak against a sales tax from the standpoint of a tax student or tax authority, but from the viewpoint of a layman and legislator whose responsibilities are equally due to the banker, broker, and bricklayer, the capitalist and cobbler, the financier and farmer, the manufacturer and machinist, the teacher and day laborer, all of whom to a greater or less degree will help pay the $5,000,000,000 annual tax hereafter to be collected.

"I desire to place before you the views of recognized tax students and authorities and shall intrude my own observations only briefly and for the purpose of calling attention to matters that have seemed to me worthy of consideration; but first as to the problems before us.

"Mr. WILSON of Louisiana. Will the gentleman yield?

"Mr. FREAR. I yield to the gentleman.

"Mr. WILSON of Louisiana. Does the gentleman discuss also the final sales tax?

"Mr. FREAR. I will say that the final sales tax has not been pressed upon the attention of the Ways and Means Committee, for the reason that it brings in such a small income comparatively. We have what is called a final sales tax, of course, with the luxury tax today, but it is only a small producer of revenue. We need to raise a billion dollars or thereabouts by taxation to meet not only the repeal of the excess-profits tax, if we repeal that tax, but also to lower the surtaxes on personal incomes. That has been urged strongly, and it is something that may really have to be brought about, because today those who are paying high surtaxes are investing in tax-exempt securities.

"Mr. WILSON of Louisiana. If you raised the same amount of money by a final sales tax, would not the final sales tax be just as objectionable?

"Mr. FREAR. Yes. They pyramid each time there is a sale made, and it reaches an enormous amount of money.

"Mr. MCCLINTIC. Mr. Chairman, I raise the point of order that the gentleman is not speaking to the question.

"The CHAIRMAN. The point of order is overruled.

"Mr. FREAR. Of course, any Member can block the wheels in this House unless we pass a resolution to stop it. This is a most important proposition affecting the river and harbor bill. It deals with the raising of funds to provide for the rivers and harbors, to provide for the railroads to function, and to run every Department of Government, a question which every one of us is interested in, and the gentleman ought to know that it is directly in point, and not subject to his point of order.

"CONSUMPTION SALES TAX AND SOLDIERS' BONUS BILL

"Mr. Chairman, constant assaults on the excess profits tax law from all directions indicate it is a friendless waif, not popular with those whose profits it has heretofore divided for the support of Government and it also seems probable, judging from opposition expressed against any new form of tax, that no substitute will meet with general approval. One tax is insistently urged upon Congress in case the excess profits tax law is repealed. It is known as a 'consumption turnover sales tax' and was vigorously pressed on the Ways and Means Committee last session in an effort to make it part of the revenue plan that was to provide for financing the soldiers' bonus bill, which bill finally passed the House.

"At that time, after a short but sharp contest, a Republican caucus rejected a sales-tax plan which in effect proposed to compel ex-service men to contribute through such tax to their own use. The measure was rejected as stated and other means of raising revenues were then adopted. The head of the same consumption sales-tax plan has again been raised and it is now financed by large interests that seek to escape their full share of taxation. Ex-service men and women and every other man and woman in the country are to be called upon to contribute to this sales tax, although no return is now offered them directly or indirectly.

"WHAT IS A TURNOVER CONSUMPTION TAX?

"It is a reminder of the small boy's description of a toothache, 'an abomination in the eyes of the Lord that does no man good.'

However, a consumption turnover tax will do everybody—good and plenty. It is a tax levied on every pound of sugar, salt, and starch that goes into family use from the growing of the sugar beets to its purchase at the store, on every pound of flour and other food, on every pound of meat from the farm to the packer and back again, on every pound of tea or coal, on every garment from the hat down to shoes and stockings, or, like an old-time description of a tariff bill, it is a tax from the cradle to the coffin. Every sale of wood from the owner to the logger, to the millman, to the cradle or coffin factory, to the wholesaler, to the retailer, and finally to the customer who pays the tax on every turn-over with several times added for good measure, until the actual cost and actual tax join in a free-for-all price raising for the 105,000,000 consumers who will pay an equal share of the increase. The wealthiest and poorest will pay the same tax, because a turnover sales tax plays no favorites from Vanderbilt to the humblest beggar when both must eat or starve.

"During 1918, 1 person in this country paid on an annual income of over $5,000,000, 2 on between $4,000,000 and $5,000,000, 11 on between $2,000,000 and $3,000,000, 49 on between $1,000,000 and $2,000,000, and 179 others on incomes between $500,000 and $1,000,000. Under a turnover tax these people would turn over the same amount of tax for the same food, drink, and wear as the poorest in the land. Fraud in omitting to report sales, which will be general, would penalize only the consumer. Administration by the Government would become a hopeless task, judging from past experience, when every seller levies the tax with a generous margin on the goods sold, whether the tax is reported or not. It is neither a just, equitable, nor enforceable tax, and I desire to present proof of these charges against the criminal at the bar—a turnover-consumption tax.

"Let me place before you the best thought of the country that unqualifiedly condemns and convicts a sales tax and present some facts which are not based on theories but come from men whose judgment we may well respect.

"First. I will give the conclusions of the leading economic-tax investigation that has taken place since the war. The body making this report is not composed of farmers, laboring men, or others who would unanimously condemn a sales tax if given opportunity to do so. The National Industrial Conference Board is composed of 25 affiliated industrial organizations representing cotton, woolen, metal, boot and shoe, pig iron, and others that have a capital invested of several billions of dollars, in the aggregate, and employ several million men. No organization can speak with more force from the standpoint of national industry or aided by better expert advice. Other high authorities will be found to sustain the industrial board's findings.

"Second. The arguments and influences now urging a consumption-turnover tax will be presented.

"Third. Testimony of individual tax experts opposed to a sales tax will be offered—men whose judgment is of great value in solving the greatest tax problem that ever confronted this Government in time of peace.

"REPORT OF TAX COMMITTEE, NATIONAL INDUSTRIAL BOARD

"Mr. Chairman, I quote first from a report of the tax committee of the National Industrial Conference Board on the Federal tax problem, December 1920. The report says:

"'Various advocates of a general turnover tax estimate that a 1-percent tax on all turnovers would produce from $1,500,000,000 to $5,000,000,000. If the tax is limited to 1 percent on the turnover of goods, wares, and merchandise alone, the estimates go down as low as $750,000,000. * * * It has been suggested that bankers, brokers, and commission men should be taxed not on their sales but on their commissions or gross profits.'

"If a 1-percent turnover tax were imposed upon each step in the cotton, leather, and steel business, it would carry separate tax on each of the following turnovers, according to the report:

"'*Cotton*

"'1. Raw cotton to gin.
"'2. Gin to spinner.
"'3. Spinner to mercerizer.
"'4. Mercerizer to dyer.
"'5. Dyer to weaver.
"'6. Weaver to finisher.
"'7. Finished cloth to wholesaler.
"'8. Wholesaler to retailer.
"'9. Retailer to customer.

"'*Leather*

"'1. Farmer to cattle buyer.
"'2. Buyer to hide dealer.
"'3. Hides to tanner.
"'4. Tanner to leather merchant.
"'5. Leather merchant to shoe manufacturer.
"'6. Shoe manufacturer to jobber.
"'7. Jobber to retailer.
"'8. Retailer to customer.

"'*Steel*

"'1. Iron ore to smelter.
"'2. Smelter to manufacturer of ingots.
"'3. Manufacturer of ingots to manufacturer at rolling mill.
"'4. Steel manufacturer to tool manufacturer.
"'5. Tool manufacturer to wholesaler.
"'6. Wholesaler to retailer.
"'7. Retailer to customer.'

"These steps may be enlarged and the 1-percent tax on each tax may be doubled and quadrupled, as illustrations later quoted will disclose.

"THE TURNOVER SALES TAX

"[From report of tax committee of the National Industrial Conference Board]

"'1. The advocates of such a tax claim that it will in nearly every instance be shifted. If so, the tax could not be defended upon the grounds of social justice, because it would then fall with a force unequal to their ability to pay upon those least able to bear the burden. It would, in fact, be "a tax against the living wage."

"'2. It is claimed by the proponents of such a tax that not only will it generally be shifted but that the exact amount of the tax would be passed on to the consumer. What ground is there for the assertion that a turnover tax imposed on each of many transactions all the way to the raw material will not be loaded just as often as a specific tax of a fixed and known amount? If $1,500,000,000 or $3,000,000,000 should be collected from a sales tax levied on each turnover, would not this amount be loaded heavily?

"'3. From the business point of view the uncertainty as to whether the (sales) tax would be shifted is most serious. The committee cannot accept as conclusive the assertion that this tax would be passed on or that in the cases in which it was not passed on the tax is so small that the effect would be slight. A 1-percent tax on sales would in many cases be more than a tax of 30 percent or even 50 percent of net income. If any great proportion of the billion or more dollars which is to be raised by such a tax would have to be paid by business which could not pass it on, the result would be wide-spread ruin and disaster.

"'4. Whether or not the tax could be shifted, it would tend to encourage changes in business practices which are not in accordance with the economic development of the country. Many classes of so-called "middlemen" who perform a service which is well worth what it costs would be driven out of business. Devices to get around the tax through the avoidance of technical sales would be multiplied.

"'5. In cases where it is not shifted in its entirety a tax imposed upon all sales or upon the turnover of a business becomes to that extent a tax on gross income.

"'The inequity of a tax turnover on gross income as between a business which turns its capital once in several years and another which turns its capital several times a year, provided the tax cannot be shifted, is too great to be borne.

"'6. The advantage which a business enterprise carrying on several consecutive processes in the manufacture or distribution of a commodity would have over other enterprises which were not so self-contained, due to the pyramiding effect of a sales tax at each turnover, is little realized until concrete cases are examined and compared, as has been done by the committee.'

"After illustrating seven turnover taxes from iron ore to the finished steel tool, the committee's conclusion is reached: 'In cases in which the taxes could not be shifted a pyramided tax might often prove ruinous.'

"'7. No dependable calculations have been submitted by its proponents as to the amount of revenue which such a tax would produce. Estimates by different parties range from $5,000,000,000 down to $1,500,000,000 for a 1-percent tax on all turnovers and down to $750,000,000 for a 1-percent tax on the turnover of goods, wares, and merchandise alone. It is suggested that bankers and brokers should be taxed, not on their sales but on their commissions or gross profits. If this is so, why should a wholesaler whose gross profit on each individual sale may not be larger than the banker's pay a tax on his entire sales? (Who suggested?)

"'8. The administrative difficulties involved in a turnover sales tax are but little appreciated by those who have not had close practical experience with the administration of a tax national in its scope. The administration of such a tax would raise serious problems, and the number of taxpayers would be so greatly increased that it would probably be difficult to prevent wholesale evasions.

"'9. It would be economically unsound.

"'10. While the committee has not allowed political expediency to influence its conclusions, political opposition to a sales tax must be given serious consideration.'

"The foregoing are brief extracts from findings of a committee of experts representing the greatest industrial organization in the country. It is notable that eight reasons are given why a sales tax would injure or destroy different manufacturing interests and two reasons are given as to its unsoundness economically and politically.

"REPORT OF THE SPECIAL COMMITTEE ON TAXATION, OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

"It would seem that no careful legislator will be deluded by the arguments of a handful of financially interested advocates of a turnover sales tax, and the objections already presented are unanswerable; but another organization, the Chamber of Commerce of the United States, has aimed to give the same service to Congress on the same vitally important tax problem, and through its committee of nine tax authorities has also announced its findings on a turnover sales tax. The report of its committee against this tax is unanimous. I quote at some length because of the recognized high standing of this country-wide commercial organization:

"A CONSUMPTION TAX—DIFFICULTY OF ADMINISTRATION

"'Various arguments have been brought forward in support of a sales tax, but in the opinion of the committee these arguments

are overcome by important objections to any attempt to use such a source for Federal revenues. In the first place, the application of any of these taxes and its successful administration would not be so simple as is often supposed. In declining markets and under conditions of close competition turnover taxes would frequently have to be borne by the seller, and in many instances might for him be an added cause of loss. Even if passed on through addition to the price paid by the buyer, it would almost inevitably be pyramided, causing material increases in many prices paid by consumers.

"'RUINOUS EFFECT OF PRICE PYRAMIDING

"'There are still more fundamental considerations weighing against such a tax. One of the objections to the excess-profits tax would apply with added force; this is uncertainty in yield of revenues, for gross sales fluctuate more widely than net income. If any form of turnover tax were imposed, it would result in advantages for large industrial undertakings which begin their processes with raw materials and carry them through to the finished product; such "integrated" industries would be subject to the tax but once, whereas their smaller competitors, acquiring materials from independent sources, would have the tax in their prices several times and probably increased in effect through pyramiding. Finished articles imported from abroad would have a similar advantage over domestic manufactures.

"'REPUDIATES PRINCIPLE OF TAXING ACCORDING TO ABILITY TO PAY

"'Perhaps the greatest inequity, however, would appear in the proportionate results of any of the taxes here under consideration upon the person with small income as compared with the person of large income. At the bottom of the economic scale are persons whose income barely suffices to provide them with necessities of the poorest quality and in the smallest amount, and at the other end of the scale are persons whose expenditures for necessities, no matter how large, represent but a fraction of their income. Any tax falling upon general expenditures is consequently disproportionately heavier for persons of smaller incomes as compared with persons of larger incomes. To the extent sales taxes of the sorts that have been suggested were used as a general source of revenue there would be a departure from the principle that taxes should be levied in accordance with ability to pay.

"'OF DOUBTFUL LEGALITY

"'Finally there would seem to be legal difficulties in the way of a general sales tax. Opinions handed down by the Supreme Court in March and June of this year make it clear that such a tax is not authorized by the income-tax amendment to the Constitution. Whether or not it would be held by the courts to be an indirect tax is uncertain; if it were held to be a direct tax, it would, under the Constitution, have to be apportioned among the States in accordance with their population, an obviously impracticable procedure. Reliance for revenues in large amount should not in any event be placed upon a tax regarding the legality of which there is doubt.'

"MEN WHOSE REPORTS CARRY WEIGHT

"The character of the National Industrial Board tax committee, that prepared a long, comprehensive report, may be ascertained from the following personnel:

"'F. R. Plumb, chairman, Philadelphia.
"'C. A. Andrews, Gloucester, Mass.
"'J. A. Emory, Washington.
"'R. C. Allen, Cleveland.
"'Wilson Compton, secretary N.L.M. Association.
"'F. W. Lehmann, Kansas City.
"'H. C. McKenzie, Walton, N.Y.
"'M. W. Alexander, New York City.
"'A. G. Duncan, Boston.
"'R. P. Hazzard, Gardiner, Maine.
"'Paul Armitage, New York City.
"'J. J. Forstall, Chicago.
"'L. F. Loree, New York City.
"'H. H. Smith, Tulsa, Okla.'

"The committee that signs the tax report for the Chamber of Commerce of the United States is—

"'R. G. Rhett, chairman, Charleston, S.C.
"'Arthur Anderson, Chicago.
"'J. H. Gray, Northfield, Minn.
"'J. L. Laughlin, Boston.
"'T. B. Stearns, Denver.
"'R. G. Elliott, Chicago.
"'F. R. Fairchild, New Haven.
"'J. I. Straus, New York City.
"'E. W. Stix, St. Louis.'

"The importance of interests represented and ability of these men will not be questioned by anyone who examines their respective reports.

"Mr. Chairman, it must be kept in mind that these business interests are acting for their own protection because of the uncertain character of a turnover consumption tax. When it does not shift it threatens the industry compelled to pay it and when it shifts to the consumer he is unjustly compelled to pay a tax now paid out of corporations' excess profits.

"The authorities quoted will carry weight to most minds of the absolute danger attending a turnover consumption tax.

"EXPERTS WHO CAN TESTIFY

"Another list of authorities can be quoted whose names are legion. They consist of the farmers, clerks, skilled and common labor, housewives, and others not enumerated, who are glad to earn enough to get food and clothes and to give their children a common-school education. They are the ones who will be called upon to pay 90 percent and over of the proposed consumption taxes now paid by corporation excess profits and high supertaxes on personal incomes.

"Any advocate of average intelligence can safely take his case to this class of experts and secure a verdict against a turnover consumption tax 9 times out of 10, either in a judicial, legislative, or political forum, and the tax, if passed, will be tried out without doubt by the last-named court, and the one of last resort—the people at the first opportunity given to register their disapproval at the polls.

"WHOM DOES CONGRESS CONSULT IN REVENUE LEGISLATION?

"Presumably no more reliable adviser for Congress on revenues exists than the Secretary of the Treasury, whose duty it is to properly and economically collect revenues and carry on the fiscal policy of the Government. He has for his advisers Government tax experts and men of Nation-wide reputation without private or personal ends to protect or advance. He is concerned in both revenue to be obtained and method of administration. In his 1920 annual report Secretary Houston condemns a proposed sales tax, as follows (p. 28):

"'In the Treasurer's opinion there are many grave objections to a sales tax. Further consideration of the subject has convinced me that a general sales or turnover tax is altogether inexpedient. It would apply not only to the necessities of life—the food and clothing of the very poor—but it would similarly raise the prices of the materials and equipment used in agriculture and manufactures. It would confer in effect a substantial bounty upon large corporate combinations and place at corresponding disadvantage the smaller or disassociated industries which carry on separately the business operations that in many combinations and trusts are united under one ownership. The group of independent producers would pay several taxes, the combinations would pay only one tax. Finally, it would add a heavy administrative load to the Bureau of Internal Revenue which * * * is already near the limit of its capacity. Simplification of the tax laws and restriction rather than extension of its scope are as important from the standpoint of successful administration as from that of the taxpayers' interests.'

"ADMINISTRATION OF A GENERAL SALES TAX

"Mr. Adams, a Treasury income-tax expert, says on this point in the Ways and Means Committee hearings:

"'If you have the income tax with all the necessary difficulties and you have the corporation tax with all its necessary difficulties and you have the principal present consumption taxes, it is going to be a dangerous thing from an administrative standpoint to add a general sales tax, which will bring in possibly a million new taxpayers to take care of, together with all the added complications of a new and Nation-wide tax * * * (p. 28).'

"His replies to questions of administration are illuminating:

"'Mr. FREAR. How many employees does the Treasury Department have engaged in this particular work (collecting taxes)?

"'Dr. ADAMS. I shall have to ask you to let me put that figure in the record (these figures, p. 36, show 18,440 employees).

"'Mr. FREAR. What would be the number of employees required in addition to cover the final sales tax in checking up?

"'Dr. ADAMS. That depends entirely upon the accuracy with which these reports were checked. You can simply put a sales tax on the statute books and leave it to enforce itself, and it doesn't require very much force to handle it.

"'Mr. FREAR. But you spoke yesterday of the different forms, and that is my reason for going back to it.

"'Dr. ADAMS. And that ought not be done. We are experiencing a perfectly enormous amount of evasion with respect to some sales taxes, such as are imposed by section 630, the soda-fountain drinks and taxes of that kind, because we haven't got an adequate force to check them up and supervise them.'

"A 100-PERCENT INCREASED PRICE FOR SOFT DRINKS

"It is certain that a 1-percent turnover sales tax would be pyramided, so that in a half dozen or 10 turnovers the padded price in each turnover sale would make a ballooning of prices as wild in character and as burdensome in effect as were war-time prices. Two or three illustrations are readily available.

"During a hearing before the Ways and Means Committee December 21, Senator Hardwick, now Governor of Georgia, was discussing the effect of a luxury tax on soft drinks, when the following facts were developed:

"'Mr. HARDWICK. Bottled goods that has a standard and uniform price throughout the country of 5 cents were immediately increased to the consumer (after levying of a 1-percent luxury tax or one-half-cent tax on 5-cent sale) until the article that formerly sold at 5 cents cost the consumer 7 to 10 cents * * *.

"'Mr. FREAR. Wouldn't that apply, Senator, to the sales tax ordinarily; that is, without relation to the exact tax which the seller will be obliged to pay? He will place upon goods a price that will make even change.

"'Mr. HARDWICK. I have no doubt in my own mind, speaking personally, that that is true, and I understand that the gentleman who presented the matter to your committee yesterday admitted that when that is passed on, ultimately, it always gains a little, like the snowball going downhill in wintertime * * * (p. 135).

"'Mr. FREAR. You say that these soft drinks were formerly sold for 5 cents?

"'Mr. HARDWICK. Yes, sir.

"'Mr. FREAR. Then what tax was added by Congress?

"'Mr. HARDWICK. Ten percent.

"'Mr. FREAR. Then the same soft drinks were sold for 10 cents?

"'Mr. HARDWICK. They were sold at from 6 and 7 to 10 cents.

"'Mr. FREAR. In that case they added 10 times the tax, did they not, if sold for 10 cents?

"'Mr. HARDWICK. Undoubtedly.'

"This increase of 100 percent in price and 950-percent tax increase is submitted of the workings of a sales tax.

"HOW IT WORKS NOW WITH CIGARS, 400 PERCENT TAX INCREASE

"Equally to the point and almost as greatly padded is the proposed price of a cigar from 8 cents to 9 cents, because of a suggested increase in duty of $2 a thousand, or one fifth of a cent for each cigar. The following from the hearings of January 21 before the Ways and Means Committee illustrates the same evil:

"'Mr. LONGWORTH. How much would you add to cover that fifth of a cent ($2 a thousand additional duty)?

"'Mr. KRAUSS. We have no medium of exchange for selling goods at fifths of cents.

"'Mr. LONGWORTH. How much would it add per cigar? As a matter of fact, you would add 2 cents, would you not, or would you add a cent? How much would that add to the retail price? It would probably add 1 cent, so that there would be a profit of four fifths of a cent to the cigar?

"'Mr. KRAUSS. Not to the manufacturer; probably to the dealer.

"'Mr. LONGWORTH. If the duty was added, that would be one fifth of a cent for each cigar. According to you that would add 1 cent to the selling price to the consumer, or make a net additional profit of four fifths of a cent?

"'Mr. KRAUSS. Yes; provided you have those units to work with.

"'Mr. LONGWORTH. * * * And you say that would add 2 cents to the cost of a cigar?

"'Mr. KRAUSS. I did not say 2 cents, I said probably 1 cent, because there is not any intermediate method of exchange.'

"Mr. Chairman, that principle could be and undoubtedly would be applied to every turnover sales tax where the amount of tax was too small to have any other 'intermediate method of exchange.'

"It must be remembered that the soft-drink and cigar tax was not levied until the sale was made by the wholesaler or retailer to the customer, and these sales did not involve more than two turnovers with only one tax, whereas the proposed turnover sales tax sought to be enacted into law would mean a tax levied and collected on from 8 to 10 turnovers in some instances, as have been heretofore disclosed.

"Nothing need be added by way of argument to show how vicious and mischievous a turnover sales tax is certain to be when nothing prevents the cupidity of the seller, on the one hand, from taking advantage of the necessity or ignorance of the consumer, on the other, with a well-founded possibility that wholesale evasions of the tax or neglect to report will ensue, as stated in findings of the National Industrial Board's committee.

"TAXING AND PADDING FROM PRODUCER TO CONSUMER, 400-PERCENT INCREASE

"Only one further illustration will be offered. When the railway bill was before Congress last session, Director General Hines stated that an increase of $875,000,000 in freight rates would mean an increase to the consumer of $4,375,000,000, or 400-percent increase, because, as stated by Chairman Woolley, of the Interstate Commerce Commission, 'The shipper passes this along to the consumer and on back to the producer of the raw material, who has to stand the cost of transportation.'

"The effect of increased freight rates that has served to prevent any reduction of ordinary commodities to pre-war prices from a riot of padding and ballooning of prices is also made possible in a sales tax under the beneficent consumption turnover tax plan.

"SALES TAX LAWS, WHERE AND HOW ENFORCED TODAY

"Without attempting to set forth specific terms or scope of existing sales tax laws it is noted that—

"Canada's sales tax law of 1915 (assented to July 1, 1920) provides for a tax on banking and negotiable instruments. The tax is laid on final sales of various luxuries and on high-priced wearing apparel not ordinarily worn by 10 percent of the people with a minimum price fixed by law above which the tax applies. A tax also is collected on goods sold by wholesalers and jobbers, but not on plain foodstuffs.

"The French turnover tax (1920) applies to luxuries set forth in schedules A and B of the law as distinguished from necessities and is much like the Canadian law, in that it does not reach necessary foodstuffs. The French law was passed by a government with less than one third the estimated wealth of our own and with a national debt of $35,000,000,000, or double our own after crediting foreign loans. Its sales tax law, enacted to meet a critical national financial emergency, has been in force less than 1 year, but actual receipts have only reached about 47 percent of those estimated by its advocates when the law was passed. Due to many exemptions and presumable difficulty in administration, Canadian receipts from the sales tax in that country are in like manner disappointing.

"The Philippine, 1917, Mexican, 1906, and German, 1920, turnover taxes should each and all delight the hearts of Messrs. Kahn, Bache, and Rothschild, leading exponents of the tax here, although the gentlemen named have not found any of these countries sufficiently attractive to renounce citizenship or residence in the United States because of more agreeable tax laws to be found elsewhere.

"The Philippine tax has been pointed to as a model for the United States. Industries in the Philippines are largely found in or around its one large city, Manila, and due to isolation of the islands the law is not difficult to administer. This turnover sales tax is a relic of the old Spanish regime, and the tax was also laid by Spain on Mexico. It is a legacy from a Government that notably failed in its cruel administration in both these countries, and curiously enough no law of the kind is in effect in Spain. I quote hereafter as to the Philippine and Mexican methods of administration, if to be applied here, based on statement of H. B. Fernald, of New York City, before the industrial tax board (p. 66, hearings).

"It is also noteworthy that a statement from Martin R. Browne, of New York, urging the Philippine sales tax on Congress claims the same rate of tax which raises $7,000,000, or $1 per capita, in the Philippines will raise $2,000,000,000, or $20 per capita, in the United States. In view of the further argument that a sales tax is practically a poll tax based on consumption of each taxpayer, the effect of the argument is clear that the American citizen will pay 20 times as much as the Filipino under the same kind of tax.

"Germany's turnover tax law approaches the ideal tax pictured by advocates of the system. Its name there, 'umsatzsteuergeset', comprehends several turnovers at the outset. The law levies turnover taxes on sales, both wholesale and retail, but its exemptions thoughtfully cover a number of banking transactions, including exchanges of banknotes, paper money, etc., which exemptions would presumably be urged by 'experts' for any law enacted here.

"A tax of 1½ percent on necessaries, 15 percent on sales classed as luxuries, and 10 percent on all advertisements not connected with public elections in Germany contribute toward the $57,000,000,000 indemnity burden recently levied by Great Britain, France, and Belgium on a defeated foe, but why should Messrs. Kahn, Bache, Rothschild, or Goldsmith, its advocates here, collect their pound of flesh from the American laborer, whose needs are to be substituted for excess-profits taxes just because that tax is yielded up in Germany through force of arms?

"England has repudiated any turnover tax sales law, root or branch. Canada and France are conducting very limited experiments with luxury taxes that are disappointing and irritating in administration and revenue.

"The only turnover sales tax laws in governments of comparative importance are found in Mexico and Germany, where the iron hand of revolution has turned over governments and ruthlessly imposed turnover taxes as one of the chief fruits of revolution.

"Do we want such laws for the United States? If so, why?

"WHO IS PUSHING A SALES TAX?

"Let us now examine the 'experts' and authorities (?) who are pressing a turnover sales tax on Congress. Singularly enough, none of the 20 members of the tax committees representing two of the largest commercial organizations in the country was called before the Ways and Means Committee to give us the benefit of their study and investigations, nor do these important reports appear anywhere in the hearings, nor has any reference been made to them to my knowledge.

"Practically the only witnesses who have appeared before the Ways and Means Committee, aside from Dr. Adams, of the Treasury Department, are Julius Bache, a banker and broker, New York City; Otto Kahn, a banker and broker, New York City; and Meyer Rothschild, also from New York City; although Mr. Klein and Mr. Goldsmith, 'accountants', also appear on different phases of the income tax law as it affects their clients.

"Few men realize the amount of money that is involved in the propaganda to enact a turnover-sales tax that is being sent out. One of the letters that I have says that 300,000 copies of the pamphlet of Mr. Bache's is being printed, as stated. Mr. Bache and Mr. Rothschild are taking part in the propaganda advocating a turnover-sales tax. Why? To relieve themselves and their associates from the excess-profits tax which they are paying and from the surtax on their personal incomes.

"Mr. LINTHICUM. Will the gentleman yield?

"Mr. FREAR. I will.

"Mr. LINTHICUM. Where does the gentleman get the information that Mr. Bache is advocating the turnover tax in order to get rid of the excess-profits tax?

"Mr. FREAR. If the gentleman will do me the honor to read my remarks in the RECORD, he will find that he specifically says so. I have a number of documents on my desk to that effect.

"Mr. LINTHICUM. I think the gentleman is making a rash statement.

"Mr. FREAR. Not so rash as the gentleman may believe. Mr. Bache, when asked by the Industrial National Board Committee on Taxation, 'How can you lower the consumption tax?' said, in effect, 'By not consuming.' The people of the United States are to be invited not to eat, not to wear clothes, in order not to pay the taxes he would have levied. He says, in effect, that 11 months of the year the average taxpayer is spending his time trying to dodge taxes. He says of Congress that we are subject to the influences of those who confuse the issue for us. Only Bache and a few others of that type are able to determine difficult taxation questions, according to his views. Let me read briefly from his

'review', of which 300,000 copies were printed by an ardent admirer. He says:

"'To continue to raise this amount (four to five billion dollars per year) by excess-profits taxes and heavy income taxes means the complete elimination, in our opinion, of the resources of the investors upon whom this country and its enterprises have been dependent. * * * Yet merchants have had to pay out of either income taxes or excess-profits taxes practically all that they have earned over their living expenses. * * * An economic tax should be substituted. There is only one way to escape this and that is through a tax on sales, in which every citizen of the United States as well as any foreigner who may live within our shores will pay equally toward the expenses of the Government.'

"I could quote many other equally happy thoughts suggested by Mr. Bache.

"Another peculiar circumstance lies in the enormous propaganda for a turnover consumption tax, which has been testified to before our committee by Bache and Rothschild and is evidenced by a constant deluge of addresses and pamphlets from Bache, Kahn, and Rothschild in favor of this tax.

"For illustration, a letter from the International Tag Co., Chicago, dated January 6, 1921, says of a pamphlet issued by Bache: 'We—the International Tag Co.—have reprinted and distributed more than 300,000 of them among business men all over the United States.' As I am personally compelled to pay for these remarks, I do not feel able to print over 1 percent of the number of Bache's pamphlet sent out by the tag company alone. With their great financial connections and well-known methods of propaganda, it may be assumed that the costs of financing this consumption-tax propaganda is upward of $1,000,000, the estimate of an older member of the Ways and Means Committee. Such an investment will give a hundredfold return to wealthy interests concerned if a turnover consumption tax can be substituted for the present excess-profits tax.

"DISCREDITED 'EXPERTS' FAVOR A SALES TAX

"Another peculiar fact is that Bache, Kahn, and Rothschild all urged their proposed turnover consumption tax before the National Industrial Conference held in New York City last October, and they were practically the only advocates of that tax there, and they were emphatically turned down, as shown by the committee report heretofore quoted.

"In view of the fact that this is the most important revenue measure ever presented to Congress in times of peace, I repeat that it is strange that the discredited 'experts', who may not be experts, who were repudiated by the New York conference of 25 industrial associations, have been practically the only men called before our committee to advise Congress on this vastly important revenue measure.

"Where were Plum, Andrews, Zoller, McKenzie, Howard, and Seligman, the last-named a tax expert of international reputation, whereas Bache and Kahn are only New York bankers and stockbrokers who desire to shift their taxes to the shoulders of the multitude? They are not even business men in the broad sense of employing labor.

"These New York bankers, brokers, and accountants have appeared before the Ways and Means Committee for the purpose of preventing our feet from going astray. Likewise they have circularized the country repeatedly with their views on excess-profits taxes, which they declare must be repealed, and for a consumption turnover sales tax enacted as a substitute. Due to the air of finality with which they pass upon the duties of Congress and on the 'atmospheric' conditions at Washington, a few words are proper to determine the qualifications of these New York 'experts' who assume to speak for the best interests of 105,000,000 people whom Congress represents. Criticisms of capabilities, motives, and influences in Congress have been freely indulged in by some of these self-appointed legislative experts and critics, according to propaganda at hand, so that it may be wise to inquire into the surrounding influences and expert knowledge of guides who would direct the feet of Congress in the tax wilderness.

"UNIQUE TRAINING OF SALES-TAX EXPERTS

"First and foremost is Mr. Otto Kahn, banker and broker, a close second is Mr. Jules Semon Bache, same business, while Messrs. Kline, Rothschild, and Goldsmith, all from New York City, speak in general harmony and all work to the same end—to urge upon Congress the necessity of protecting New York bankers who have been vamped by the excess-profits tax and who see their regeneration only through a consumption sale tax law—consumption, because if enacted into law it will consume a large part of the scanty means of the 100,000,000 people who have no excess profits but whom Congress also represents.

"Singularly enough, Germany has no tax system comparable to Mr. Kahn's consumption-tax plan, while Great Britain, which he says has 'a wise financial system,' holds firmly onto its excess-profits tax. This tax Mr. Kahn wants repealed here, and yet England rejects a turnover sales tax, which he would saddle onto America, the country of his adoption in 1917.

"A second tax authority appearing before the Ways and Means Committee, Mr. Jules Semon Bache, banker, began business many years ago with Leopold Cohen, another New York banker. Mr. Bache's disinterested judgment on tax matters will be appreciated from the fact that he is reported in the same 'Who's Who' to be a director in the Cuba Distilling Co.; United States Industrial Alcohol Co.; Anniston City Land Co.; American Indemnity Co.; Empire Trust Co.; First Mortgage Guarantee Co.; International Banking Co.; St. Louis & Western Railroad Co., etc. In other words, Mr. Jules Semon Bache, banker, is a very busy man, but finds a few spare minutes to tell Congress how to legislate, as I shall hereafter submit. The effect of repealing the excess-profits law ought to save enormous profits to the various concerns Mr. Bache represents.

"Messrs. Rothschild, Goldsmith, and Kline, from New York, are of the same tax 'atmospheric' with Mr. Otto Kahn and Mr. Jules Semon Bache, and their efforts to direct Congress in their spare moments from business duties are entitled to weight proportionate to their disinterestedness and general knowledge of the subject.

"SEVERAL HUNDRED BUSINESS MEN VERSUS THESE SALES-TAX 'EXPERTS'

"Several hundred large-business men have been before the Ways and Means Committee urging modification of the tariff during the past month. The number of men who have addressed us reaches over 500. These men represent hundreds of millions of dollars of business investments and employ hundreds of thousands of men. Every business man before us urged upon the committee the fact that he could compete with all other business men here or abroad if given reasonable tariff protection and could make reasonable profits. Not one complaint came from the hundreds of business men so testifying that they were prevented from doing business or unfairly affected by the excess-profits tax. Not one of these men suggested to the committee that a sales tax of any kind should be substituted for an excess-profits tax. The only men who have pressed these arguments on the committee were Kahn and Bache and Rothschild and Goldsmith, bankers and brokers and accountants of New York City, who toil not and neither do they spin, compared with the hundreds of manufacturers and other employers of hundreds of thousands of day laborers mentioned.

"Keeping in mind that these last-named New York bankers and brokers are directly interested in shouldering the present excess-profits tax they pay from their own vaults over on the backs of the 'people who pay the freight', let me quote their own arguments from the record.

"Jules Semon Bache publishes the Bache Review, a weekly pamphlet, which on December 18, 1920, contained this statement sent broadcast throughout the country:

"'The atmosphere of Washington is so thick with political misconceptions of things as they really are that it has become a matter of the greatest doubt whether anything sound or sensible can be put through Congress on its merits.'

"Bache says of his proposals to solve Treasury difficulties by refunding $2,350,000,000 of certificates and Victory notes:

"'So sane and sound a proposition as this was met immediately with befogging objections of politically saturated Congressmen who pleaded the old slogan about breaking faith with the people. * * * It never seemed to have occurred to anyone that it would be easy to fund the whole debt in long-term higher-rate bonds.'

"Mr. Bache's funding scheme contemplated putting higher-rate Government bonds on the market.

"Speaking of different hearings before the Ways and Means Committee, Bache says:

"'The most practical and workable advice should go out * * * from the best informed, soundest, and ablest men, especially business men, who will look at the whole subject from the practical side.'

"He continues:

"'Mr. Fordney is the only one who has given out intelligence of this character.'

"Which tribute to the chairman members of the committee do not resent, but Bache says further of Dr. Thomas S. Adams, Treasury expert:

"'He calls himself a tax expert * * *. His one object besides throwing dust in the eyes of the people on the question of a turnover tax is to find some complicated, difficult, and illogical substitute for the excess-profits tax.'

"This was written and circulated by Mr. Bache many weeks after he and his sales-tax proposal had been repudiated by the National Industrial Board Tax Committee. But banker and broker Bache finds a ray of hope notwithstanding Adam's attitude, because in his pamphlet he says:

"'We understand that although Mr. Fordney stated openly that they would always have Professor Adams present in formulating the new bill, the members of the Ways and Means Committee state on the side that they are not going to pay any attention to him.'

"Having bombarded Dr. Adams with this 10-inch shell, fired in the name of the Ways and Means Committee, Herr Bache keeps up a machine-gun fire at the committee with other equally unreliable testimony.

"'Expert' communications forwarded to Members of Congress from Mr. Bache are supplemented by his statement before the Ways and Means Committee, December 17, 1920, from which I briefly quote regarding his proposed sales tax. He says:

"'The purchaser does not pay it (the tax) in so much money, but it comes out of the purchase price. You can add it to your price or your bill, but unless the ultimate consumer pays the tax, it is not a sales tax * * * (p. 86).

"'It is not a perfect tax. Now, I am only a student. I do not know the tax. Nobody knows that has not seen it working. * * * It will be paid every month, with the least amount of difficulty in raising the money and making the least amount of trouble in a banking community.'

"Mr. Bache, however, disclaims protecting the New York banking community by loading their taxes on the farmers, laborers, and public generally, who would pay a consumption tax. He be-

lieves the consumers pay this tax today, because he says he shifts it through his business methods. A few words from the hearings are illuminating:

"'Mr. GREEN. You spoke of making additions on account of the excess-profits tax. Where in the excess-profits tax would you make any corresponding reduction?

"'Mr. BACHE. Frankly, we did not. I would like to explain that in justice to my company. We found that our estimates had been too low before.

"'Mr. GREEN. Well, do you know of any company that did?

"'Mr. BACHE. I can only speak of those on whose boards I sit (p. 90).

* * * * * * *

"'Mr. RAINEY. Taxation has been defined to be a method of getting the most feathers with the least squawking of the goose.

"'Mr. BACHE. I agree with that. The sales tax will do that. There is no tax in the world that will ever get so much money (p. 87). If you gentlemen decide that a turnover tax should be tried, and you intitiate it at 1 percent, and you raise $4,000,000,000, you can simply redeem $2,000,000,000 of our debt, and nobody will be very much prejudiced (p. 91).

* * * * * * *

"'Mr. HULL. Your idea, then, is to base this tax and to base all taxes, as nearly as possible, on consumption?

"'Mr. BACHE. Yes, sir.

"'Mr. HULL. So that if a ranchman or a herdsman out in the West should consume more than Mr. Rockefeller, he would pay more taxes.

"'Mr. BACHE. Yes; if he is foolish enough to do it.

"'Mr. HULL. You think that the theory to tax according to ability is unsound?

"'Mr. BACHE. It is unsound in this country, because you can not * * * (p. 93).

"'Mr. HULL. The corporations made $10,700,000,000 net for one year (the last 3½ years).

"'Mr. BACHE. Yes; and you had war to make it for them.

"'Mr. HULL. Do you know to what extent organizations are being developed to propagandize its movement and secure the enactment of the (sales) tax?

"'Mr. BACHE. I cannot say that I do. I have come in contact with a number of gentlemen in New York who are engaged with retail organizations who have committees. I know that the American Bankers' Association have appointed a special tax committee in connection with this tax (p. 95).

"'Mr. BACHARACH. You have spent a great deal of money yourself? (p. 95).

"'Mr. BACHE. I have spent more than I can afford in view of my taxes, because I am getting out of business and putting my money into municipal bonds as fast as I can' (p. 96).

"Mr. Bache is not a philanthropist; he is living in America to enjoy its privileges, its schools, its laws, and its armies that saved his money from German indemnity. He does not intend to pay for them himself. He lives in luxury, makes money protected by our laws—a wealthy banker and broker—and he tells Congress he is placing all his money in tax-exempt bonds as fast as he can, so others may pay his just tax burdens. If ever a capital tax was justified it appears to be found in the case of Jules Semon Bache, who wants a sales tax placed on the 100,000,000 people that make up the great mass of our population in order to save him the inconvenience of making out an excess-profits tax report and paying his share of taxes.

"Mr. Bache has no sentiment or false pretenses to offer. He knows what he wants and is not backward in saying so. Although he stood practically alone among many tax experts and business men at the national industrial session in his extreme demands, he now lays down the law he wants enacted with a 'me and Gott' emphasis that speaks highly for his confidence in himself, as once did another gentleman now residing in Holland. Bache wants to escape all taxes, excepting on what he eats, drinks, and wears. With his wealth snugly tucked away in safe-keeping, he says, in effect, he will put every dollar in tax-exempt bonds unless we pass his sales tax and cut the surtax in two. This is his ultimatum, and, as stated one admirer, a 'tag' company writes Congress it is so captivated by Bache's arguments that it has caused to be printed 300,000 copies of his pamphlet for circulation.

"Mr. LAZARO. Will the gentleman yield?

"Mr. FREAR. I will.

"Mr. LAZARO. How much property is there not being taxed in the United States?

"Mr. FREAR. If you accept the statement of Kahn, Rothschild, and Bache, they say the ultimate consumer eventually pays every dollar of the tax himself.

"Mr. LAZARO. I am talking about the property that does not bear taxation, property that is exempt from taxation.

"Mr. FREAR. The gentleman means exempt securities?

"Mr. LAZARO. Yes.

"Mr. FREAR. I can not give the gentleman the exact amount, but it runs into the billions of dollars, four or five billion, and it might be more than that. The figures were given me by Mr. Leffingwell, and I will embody them in my remarks. Those are securities that gentlemen are investing in today who object to paying taxes, and by that investment they desire to avoid their fair share of the taxes.

"Mr. LINTHICUM. The purchase by investors of tax-exempt securities is gradually reducing the returns of excess profits.

"Mr. FREAR. Unquestionably, and that is one of the problems the committee will have to contend with. We have got to raise taxes in some way, and the question whether you are to impose it on every man, woman, and child, which would mean a head tax, or secure it from profits is an important question.

"I offer the following data from committee hearings of March 11, 1920 (p. 491):

"'Assistant Secretary of the Treasury Leffingwell was questioned regarding outstanding stocks and bonds subject to investment. The purpose of the question was to ascertain what amount of securities were tax exempt and open to investment by those seeking to avoid personal-income taxes.

"'Te data was confined by Mr. Leffingwell to United States securities and the data submitted, as of 1905, affords little information of conditions today. As evidence of its inaccuracy I submit a statement of railway securities in 1917 according to the 1920 World Almanac, as follows:

"'"Common stock, $7,454,610,000; preferred stock, $1,847,920,931.

"'"Mortgage bonds, $9,227,374,055, amounting to approximately eighteen and one-half billion dollars. If other securities have increased proportionately the amount of State, county, and municipal bonds have reached over $4,000,000,000, apart from Government bonds that are exempt from taxation. If any accurate data has been compiled on the subject, it has not come to my notice.'"

"I quote from Mr. Leffingwell's statement:

"'Mr. FREAR. One other thing: Is there any place where an estimate can be found of general securities in addition to Government securities? Here are outside commercial securities representing $100,000,000,000, possibly, and I ask whether there is any basis at all for estimating their amount or any authority to indicate the extent of such securities?

"'Mr. LEFFINGWELL. I imagine that the statisticians must have some figures as to the whole bulk of securities.

"'Mr. FREAR. Do you have anything on that which you would be willing to give? If so, just mention the authority, because it seems to me that is very material along this line—the estimated value of all securities on the market.

"'Mr. LEFFINGWELL. I will see if I can get that data. I would not be able to give you anything that I can vouch for, because when statisticians take to making figures of that sort without a census they are bound to use figures that are not precisely accurate.

"'Mr. FREAR. But, anyway, give us some information if you can.

"'Mr. LEFFINGWELL. Yes.'

"(The matter referred to follows:)

Par value of stock and bonds outstanding in the United States, 1905

	Stock		Bonds	
	Amount	Per-cent of total	Amount	Per-cent of total
United States bonds			$895,158,340	6.64
State bonds			227,542,863	1.69
County and municipal bonds			2,141,437,283	15.87
Steam railways	$6,554,557,051	31.18	6,024,449,023	44.66
Street railways	1,761,571,812	8.38	1,455,520,159	10.79
National banks	791,567,231	3.76		
Banks other than national	649,080,956	3.09		
Manufactures	5,522,774,073	26.27	1,274,347,290	9.45
Mining, quarries, and oil	2,982,835,544	14.19	314,883,914	2.33
Electric light and power	421,343,602	2.00	305,428,923	2.26
Gas plant	495,859,803	2.36	271,628,581	2.01
Water and miscellaneous transportation	370,933,893	1.76	235,188,850	1.74
Telegraph and telephone companies	559,084,526	2.66	195,575,666	1.45
Water supply companies	144,611,346	.69	114,932,525	.85
Realty companies	411,159,555	1.96	12,534,000	.09
Insurance companies	104,685,963	.50		
Mercantile distributing companies	253,327,600	1.20	22,331,010	.17
Total	21,023,392,955	100.00	13,490,958,427	100.00

NOTE.—Taken from Charles A. Conant's The World's Wealth in Negotiable Securities (Atlantic Monthly, January 1908, p. 102).

"On this point Mr. Bache says:

"'You may amend your Constitution to make future municipal bonds tax-bearing but you can not make past ones—I am not a lawyer—but you cannot make the $16,000,000,000, or whatever amount there is outstanding, to be taxed; and that is quite large enough to cover our large fortunes' (p. 97, Ways and Means Committee hearings).

"Mr. Bache has estimates of $16,000,000,000, and he may be nearer the correct figures than those based on Leffingwell's data. In any event, Mr. Bache says, 'It is quite large enough to cover our large fortunes", and that is the important question involved. In England they have even suggested a capital tax, and it has been contended for very strongly. That is one of the things that we wish to avoid here.

"Mr. LINTHICUM. Had we not better remove some of these securities from taxation?

"Mr. FREAR. The only way that we can remove them would be by refunding bonds in the form of tax bonds, but beyond that we can only act by amendment to the Constitution, which seems to be the only way, in view of the opinion of the Supreme Court. It will take a long period to secure an amendment to the Constitution that will require all bonds to be subject to Federal taxation.

"'WHEN IS A TAX SHIFTED?' BY MR. ROTHSCHILD

"Mr. Rothschild ran Kahn and Bache a close race in his testimony before the committee, as will appear from the record:

"'Mr. TREADWAY. Where would the turnover tax go?

"'Mr. ROTHSCHILD. On the consumer. * * * (p. 108).

"'Mr. FREAR. Let us suppose competition is keen, then what happens?

"'Mr. ROTHSCHILD. Then it is a question of price cutting and that would be regardless of tax.

"'Mr. FREAR. And if there is no competition whatever, does it (excess-profits tax) form any element in price fixing?

"'Mr. ROTHSCHILD. If there is no competition and its profits are large, it is very largely a question of the policy of the man. I understand lately there was a coal man who had not raised his prices during the war (Mr. Rothschild could not name this white blackbird). * * *

"'Mr. FREAR. Suppose that prices are falling, do merchants continue to add excess profits?

"'Mr. ROTHSCHILD. When prices are falling men save themselves and the excess profits do not cut any more ice than the rent or other expenses. * * *

"'Mr. FREAR. The question of efficiency and of expenditures in every corporation differs?

"'Mr. ROTHSCHILD. Yes, sir.

* * * * * * *

"'Mr. FREAR. Now, do you insist that the excess-profits tax during recent times has been an element in fixing the final cost in various lines of business?

"'Mr. ROTHSCHILD. Yes, sir.

"'Mr. FREAR. Is it not a fact that many of these companies have been giving out stock dividends reaching 50 percent and more, and have they not been charging all the public will pay?

"'Mr. ROTHSCHILD. Most of them (p. 112).

"'Mr. FREAR. Mr. Rothschild, your theory is that the seller is going to add the sales tax when he charges the consumer?

"'Mr. ROTHSCHILD. The wholesaler; the retailer will put it into his overhead.

"'Mr. FREAR. If there are 10 turnovers, there will be 10 people to sell, and they will add the tax in each instance?

"'Mr. ROTHSCHILD. We will admit that because it is the worst case that could be made against us. It very often will not happen. But we will admit it.

"'Mr. FREAR. Now, on each one of these turnovers, do you believe that the seller is going to add only the tax in making his sale? Is he going to add the 1-percent tax, or will he add 4 or 5 percent additional?

"'Mr. ROTHSCHILD. That would depend upon his competitors.'

"ROTHSCHILD'S BIG PROPAGANDA

"'Mr. GARNER. Now be honest with us. In your heart you would do it if you could (repeal the income tax)?

"'Mr. ROTHSCHILD. In my heart I believe nearly every dollar of income tax is somehow or other paid through business operations. * * * We are going out to the people of the United States and there is going to be a very big campaign to hold up our hands. We are going to have the chambers of commerce and the boards of trade of the United States discuss this question. Now, wherever I have been—and I have had the pleasure recently of talking to the Chambers of Commerce of Boston, Providence, and other places—the merchants almost unanimously favor this tax.'

"In a 31-page pamphlet furnished the Ways and Means Committee by Meyer Rothschild he says:

"'My own personal view is that business, through the medium of a small turnover tax, could well pay the entire cost of economically running the Government, take care of the great national debt, and permit the dropping of all other kinds of Federal taxation. Such an exclusive tax would naturally eliminate the personal income tax and relieve business from the burden of providing the additional interest dividends or profits which it must now furnish to pay the income tax.'

"Quoting the effect of an indirect sales tax he says, page 12:

"'It is safe to assume that in the past for every dollar the Government has collected, either as duty or imports or excise tax on liquor and tobacco, the consumer paid at least $2 on 100 percent profit on the duty or excise tax, which additional dollar the Government did not get.'

"According to Senator Hardwick, heretofore quoted, the increase was 10 times the Government tax on a single sale.

"MR. KAHN'S CONTRIBUTION TO THE CAUSE

"Mr. Kahn also speaks from the standpoint of a banker and broker, whose annual income doubtlessly reaches far beyond the $100,000 mark, possibly double that amount. He speaks from the viewpoint of Kuhn, Loeb & Co., of New York, his business house, who are charged in a recent pamphlet received by all Congressmen with having milked the Baltimore & Ohio Railroad out of $27,586,650. Letter dated Baltimore, December 1920, from Isaac M. Cote.

"'Mr. Kahn indulges in constant declamations as to his disinterestedness and advises his business associates to use a small stick rather than a bludgeon in driving Congress to drink at the turnover-sales trough. Representing Kuhn, Loeb & Co., J. P. Morgan & Co., and other great financial interests, doubtless he voices their views to an amount reaching many millions of dollars in annual taxes, so it is well to quote from his utterances.

"'Mr. Kahn is a frequent public speaker—"speech for release", and so forth.'

"In a public address, New York, January 12, 1921, printed on heavy calendered paper—'released for publication at 1 p.m. Wednesday, January 12, 1921'—sent to every Member of Congress, including Ways and Means Committee, he says:

"'It is a matter for congratulation that the House Committee on Ways and Means * * * is a very competent, well-informed, right-meaning, and level-headed body of men whose standard of ability and devotion to duty would rank high in any assembly, whether of politicians, business men, or men of any other calling.'

"This is not the judgment as heretofore quoted of his colaborer, Bache, by several hundred miles. After passing on the qualifications of a committee for whose benefit this broad flattery was offered, Mr. Kahn ingenuously:

"'Many men whose judgment I respect are almost passionately in favor of a turnover tax (almost passionately) and see in it the solution of the taxation problem. Others whose opinion I value equally highly are violently opposed to it * * *. I distinctly dissent from the extravagant arguments and excessive claims put forward by some of its advocates. * * *

"'I favor a turnover tax * * * as against a (single) tax on retail sales * * * because I doubt whether a retail sales tax, even at a rate four or five times as high as the one third percent which I suggest for a turnover tax, would be adequately productive.'

"He now puts the camel's nose under the tent at one third of 1 percent, which will produce five times the amount of a retail tax, according to his contention. If one fifth of a cent on cigars is increased five times to 1 cent and 5 cents on soft drinks to 10 cents in present sales, then the total turnover tax at a modest estimate would gain from 50 to 100 percent in increased price.

"In a New York address—'released for publication Monday, December 20, 1920'—Mr. Kahn says:

"'As to the sales tax, I admit I have wabbled and wavered on this subject. Indeed, it has taken me a long time to bring myself into a state of assured equilibrium concerning it.'

"After describing his mental gymnastics, that would do credit to a Blondin of old, he says to the New York business men he is addressing:

"'There is one further recommendation which I venture to make, namely, that the business community go slow in sponsoring any methods of taxation which may be calculated to create the impression upon the great body of public opinion that in their contribution to the thought on tax revision the representatives of business are mainly concerned with conserving their own interests and aiming to curtail their due share of the fiscal burden which the country must bear as a legacy of war.'

"Robbed of its verbiage, Mr. Kahn says, in effect:

"'Do not announce you are taxdodgers seeking to shift your tax load to the multitude, but when you demand a repeal of the excess profits law and the enactment instead of a turn-over consumption tax, just use a strong anesthetic and a sharp knife for the surgical and grafting operation.'

"In a 41-page pamphlet (January 1920) demanding the repeal of the excess-profits tax and enactment this time of a 1-percent sales tax (p. 34), Mr. Kahn says (p. 22):

"'Extravagance, logrolling, the unwise and inefficient expenditure of money by governmental bodies, count among the acknowledged foibles of democracy. The structure of our income-tax schedule encourages these foibles. * * *

"'By the opiate of such taxation, which apparently touches them but very little or not at all, the masses of the people are apt to be lulled into a sense of relative indifference to governmental wastefulness.'

"Then he proceeds to administer his own chloroform to prove that if these taxes are placed on the people direct, sometimes by a 1-percent sales tax, sometimes by a one-third-of-1-percent tax, over which he wabbles and wavers, then the effect on the 'masses of the people' who will pay the bills will be easier. In a tribute to big business and big business men Mr. Kahn says (p. 25):

"'No doubt the prevailing apportionment of monetary reward is not free from defects, but there has been a steady and pronounced tendency and movement, especially within this generation, toward mending such defects and remodeling inequitable conditions. Evolution and the irresistible powers which make for progress, enlightenment, and justice may be depended upon to continue and advance that process. There can be no turning back.'

"In the words of one Patrick Flarity, who yet remains unremodeled:

"'Them's beautiful words.'

"BRITISH AND AMERICAN TAXES

"In his testimony before the Ways and Means Committee, December 21, 1920, Mr. Kahn further elucidates:

"'Mr. FREAR. Do they have the excess-profits tax (in Great Britain) now?

"'Mr. KAHN. Yes.

"'Mr. FREAR. And according to the statement before me it reaches 80 percent?

"'Mr. KAHN. Yes.

* * * * * * *

"'Mr. FREAR. You speak of Great Britain as a "wise financial country." ("In England which has shown itself in finance a very wise country and has had in that field the largest experience of any country", p. 15.) Do you think it would be well for us to adopt their plan, or, if not, do you think they should repeal their excess-profits tax?

"'Mr. KAHN. I do not think it would be wise for us to adopt their plan * * *. The leaders of the English business communities, rather unwisely, in my opinion, said they would rather get along with the evils of the excess profits than have a high, flat, corporate tax imposed (p. 164).

* * * * * * *

"'Mr. FREAR. Can you explain, Mr. Kahn, why Great Britain has no sales tax?

"'Mr. KAHN. * * * They do not like novelties and experiment, especially in the field of finance and economics.

* * * * * * *

"'Mr. FREAR. You would wipe out the excess-profits tax, that would bring $800,000,000 (for 1922), and substitute a sales tax?

"'Mr. KAHN. I would substitute for part the sales tax, and in part I would increase the corporation net-profits tax (p. 178).

* * * * * * *

"'Mr. KAHN. On the sales tax I have wabbled and wavered (p. 166).'

"When asked to make a radical departure in our methods of taxation and inaugurate a system nowhere in effect, on the scale proposed, in any country in the world, Congress and the country have a right to the unqualified approval of some recognized tax expert. That has not been given by any such expert to the Ways and Means Committee, but Messrs. Kahn, Bache, Rothschild, and Goldsmith have contented themselves as special pleaders for the bankers and big business interests that have hundreds of millions of dollars in taxes at stake.

"True, Mr. Kahn has been before our committee and flits around from one chamber of commerce to another throughout the country, expressing his carefully prepared views, but when before our committee he confessed with an apparent effort at frankness and ingenuousness that he (Kahn) had 'wabbled and wavered' on the sales tax (p. 166).

"Before the industrial conference at New York he admitted he still 'wabbled and wavered' on a sales tax (p. 90, industrial committee hearings).

"'Indeed, I am not yet in a state of assured equilibrium,' he adds in a communication to Congress (p. 25), and he continues that he, Kahn, a leader in the movement, has long 'wabbled and wavered' on a sales tax.

"In the most important act of his own career, choosing of citizenship, Mr. Kahn also 'wabbled and wavered' from German to English, and finally in 1917 to declaring allegiance to America, and his first important act as a wabbling citizen is to try and lay on the backs of 100,000,000 American citizens a vicious sales tax, that represents upward of $800,000,000 annual excess-profits taxes which he asks to have shifted off from the annual profits of his clients and associates.

"THE SALES TAX VERSUS A HEAD TAX

"Mr. Chairman, a short expeditious tax collection has been suggested by other authorities, that may yet be urged by Messrs. Kahn, Bache, Rothschild, and Goldsmith on Congress. It is much simpler than the excess-profits tax law, which causes these income authorities to spend sleepless nights in preparing tax reports. It will save them the necessity of investing their large incomes in tax-exempt securities in order to avoid the higher surtaxes. In fact, while it resembles a turnover sales tax, so ably defended by these gentlemen, in that it would reach every man, woman, and child through the food and clothing individually worn, yet it would save the objection of profiting and tax pyramiding which is a conceded evil of the turnover sales tax. It also reaches to the very base of fundamental taxation.

"It is urged Congress could reach the same result advocated by Messrs. Kahn, Bache, Rothschild, and Goldsmith and at the same time avoid a needless pyramiding turnover tax by enacting a poll or head tax. By transferring the $1,000,000,000 of excess profits and surtaxes that now worries those obliged to pay such taxes over to a poll or head tax the tax could not be avoided by the taxpayer and collection annually would then be as easy as taking the census.

"Messrs. Kahn and Bache might urge it be provided by law that the head of the house would pay a tax levy of $10 per head for each member of his family, based on the per-capita share of each inhabitant who is now asked to shoulder the $1,000,000,000 tax burden of the rich. If any tax was not promptly paid, it might hamper the Government to put the wage earner in jail; so, like the good old distress-for-debt practices in Germany and England, from which some of our modern sales-tax authorities spring, the law might seize a member of the family, say one of the children, who Bache says will not pay anyhow if it does not consume, and the wage earner would then be left free to earn the tax.

"Take the case of Mr. Bland, a constituent of Congressman Small, with 26 children; his head tax of $10 each would reach $280, which would include himself and his wife. In the case of a constituent of my own, with 17 living children, he would only have to raise $190, which would include himself and wife. Of course these farmers are also paying local taxes on their farms for the support of their schools, local improvements, and State institutions, but they might put in a few extra hours daily in earning the extra tax that Messrs. Kahn, Bache, Rothschild, and Goldsmith would then have taken from their own shoulders, and thus we would avoid the need of a general pyramiding sales tax.

"The system suggested would possess the additional virtue of having direct action, and that is what these New York bankers are seeking. True, Bland, the farmer, is probably working 14 hours a day already, while Kahn, Bache, and Rothschild have a minimum unwritten law of nearer 4 hours, and there may be other matters of detail that would arise, but, as Mr. Kahn well says, 'No law is absolutely perfect.' However, such a law would solve the mental struggles of excess-profits-tax payers and is well for them to consider as an alternative for the sales tax.

"Of course, Congress would take an extended leave-of-absence after passing any such measure, and probably the next Congress, of different members, might enact an extreme capital tax which would get more quick profits than under the present excess-profits-tax system; but as a temporary relief it is submitted that the kind of a tax for these distinguished gentlemen to advocate is a head tax, or poll tax, although the latter term would have a singularly unpleasant sound to those who had to submit their candidacies at the polls after enacting the law.

"PREJUDICED TAX EXPERTS

"Speaking personally, I believe Messrs. Kahn, Bache, Rothschild, and those they represent should be made to pay every dollar of taxes due from them under existing laws, and they should pay taxes according to their ability. Any attempt to avoid payment of taxes by investing in tax-exempt securities ought to be met, so far as possible, by drastic legislation until a constitutional amendment can be passed.

"The tax dodger of today is not the poor man whose home and farm is immediately sold for taxes, with stiff penalties when it is redeemed. He cannot avoid payment of his taxes by investment in tax-free securities or other means, and every dollar spent by him for taxes is ordinarily taken from some need of the family.

"The tax dodgers and prejudiced tax experts are not found among this class of people, but the man who unblushingly tells the Ways and Means Committee he is investing his surplus cash in tax-exempt bonds; who publicly says he spends 11 months of the year studying how to evade our tax laws; who says if the poor do not want to pay a sales tax they need not consume; who unblushingly declares in one breath that he shifts all his taxes over onto the ultimate consumer, while in the next breath he demands a repeal of the excess-profits tax, because it is a heavy burden on the rich; the wealthy banker who pompously says to the country in his 6 by 9 pamphlet that only one man on the Ways and Means Committee understands the revenue question, and therefore he—Bache—must come to Washington in order to instruct the committee regarding the tax he wants—this kind of tax expert will find few apologists, even among his own fellows, and he is out of touch with 99 percent of the 100,000,000 people for whom he asks Congress to pass a sales tax law.

"Mr. DENISON. Will the gentleman yield?

"Mr. FREAR. Yes.

"Mr. DENISON. Does this proposed plan of a sales tax cover the sales of real estate?

"Mr. FREAR. That is one tax that has been proposed. It would all depend upon what was embodied in the bill. That has been done in some countries and others not.

"WHO WILL PAY THE SALES TAX?

"Mr. Chairman, let us for a moment study a picture of human existence and the proposed taxation scheme.

"Of the 106,000,000 people in this country it is doubtful if 99 percent are making $5,000 annually, mentioned in one discussion by Mr. Kahn, nor do they pay any appreciable income tax. Ninety-five percent certainly are among those who grub along for less, and half of the total presumably are living on net incomes of $1,000 or less received by the family breadwinner. This amount has not much more than one half the purchasing power of 10 years ago. In other words, the astounding report that a large part of labor received $700 or less annually 10 years ago was no more serious than conditions of today—particularly when over 2,000,000 breadwinners are out of employment. Immaculately dressed Messrs. Kahn, Bache, Rothschild, and Goldsmith do not represent these people.

"Those they represent, who clipped bonds or interest coupons during the war, then took no chances. Their living expenses, luxuries, and limousines never occasion them worry now. Yet they protest against turning over to the Government part of their 'excess' profits, not of their reasonable profits but a part of their 'excess' profits. They declare that individual enterprise, ambition, and initiative will be hampered by parting with any excess profits.

"Of the 100,000,000 people whom Congress represents, I believe statistics would show 90 percent are no better off today financially than before the war, although the great demand for labor during the war is so recent that the country has not yet recovered from its financial orgy to take an accounting of stock. That is the situation confronting the country and Congress when Messrs. Kahn, Bache, Rothschild, and Goldsmith demand that 'the burden now upon the rich', to use Kahn's words, must be shifted to the 100,000,000. In other words, that an income of over a billion dollars, counting the excess profits, collections, and higher surtax now paid by less than 5 percent of our people, must be shifted over to the backs of the remaining 95 percent by a consumption tax. Under that beneficient proposal every turn-over tax will be paid as stated from the time sugar beets are first sold to the last sale of refined sugar by retailer; from the sale of wheat at the elevator to the final sale of bread or breakfast food by the grocer; from the sale of the steer or hog by the farmer to the sale of shoes by the retailer or wienerwursts by the lunch stand—and for every eater of porterhouse a score patronize the wienerwursts.

"PYRAMIDING FROM PRODUCER TO CONSUMER—WHERE DOES THE RETAILER COME IN?

"From 5 tax levies to 10 tax levies are made between the first sale and the last of the completed article, depending upon the 'turn-overs.' The tax may be insignificant, but after witnessing the cupidity, greed, and profiteering of the past 3 years in America, the public must pay, irrespective of cost or reasonable profits, and no sensible man believes that the tax added to the article by the different middlemen from first producer to final consumer will be that fixed by law. If it is 1 percent with five turn-overs it is more likely to be 25 percent by the time the many turn-overs occur, and before the finished article is received the turnover tax, and much more, is pyramided each time and is added to the cost of the article on which the next turnover tax is levied, as had been disclosed by Senator Hardwick. In many cases it is fair to suppose that where the Government would receive a total of 5 percent in taxes on the different values for which sold, the consumer will pay from 25 percent to 50 percent or even 100 percent additional, 90 percent of which additional charge will go into the tills of the different turnover dealers. That is one reason retail merchants and other dealers have no fault to find with the turnover sales tax plan and are easily caught by the argument.

"That is a reason why Mr. Lew Hahn, managing director of the National Retail Dry Goods Association, is said to be in conference with 'members of the Senate Finance Committee and of the Ways and Means Committee of the House' (Washington Times, Jan. 25).

"These retailers do not pay the sales tax which Mr. Hahn and Mr. Kahn and Mr. Bache and Mr. Rothschild and Mr. Goldsmith favor. The retailers are the ones who will pyramid prices and collect from the consumers large margins even as they try to do today.

"Notwithstanding manufacturers and wholesalers have slashed prices to retailers according to published statements, the large retailer still charges his heavy profit without yet having learned that the war ended more than 2 years ago. The retailer has nothing to fear from the turnover sales tax because he does not pay it—he passes it on to the consumer and his advocacy of the sales tax is entitled to close scrutiny particularly if he is now seeking to escape paying an excess-profits tax through the shift.

"EVERYBODY TO PAY THE SAME TAX

"Mr. Chairman, a sales tax hits the ultimate consumer who generally pays the final bill, including freight bills, taxes, and every charge that goes to make up the last selling price. All people will pay the same and thereby can learn the blessings of taxpaying in real earnest. The molder in the foundry will pay the same as Otto Kahn, banker, for his sugar, with the same profits and tax added in both cases; the miner digging coal will pay the same as Jules Bache, New York banker, for the meat, flour, and potatoes with the same tax added; the farmer will pay the same as Rothschild and Goldsmith for the same grade of shoes, shirts, or clothes, with the same tax added although neither Kahn nor Bache nor Rothschild will draw heavily on the kind of goods the farmer or laborer wears. The workman with his flivver will pay the same tax on his gasoline that Rockefeller himself pays, in order to pile up excess profits for Standard Oil that are no longer to be taxed according to Messrs. Bache, Kahn, Goldsmith, and Rothschild.

"The farmer will pay the new price for his ax and other tools that Carnegie exacts through the Steel Trust, and the excess-profits tax formerly paid by the trust is now to be shifted to the final purchaser—in order not to destroy initiative in business. The soldiers whom we sent to war to protect the property of Kahn et al. from German tribute—these service men who saved the day—will now pay the same turnover tax as Kahn et al. This is the beneficient scheme known as a 'consumption tax', or a 'turnover sales tax', that these bankers and financiers ask Congress to place on the backs of the 100,000,000 people whom we represent.

"In a hope of escaping excess-profits taxes the proponents of the repeal paint in somber colors the terrible distress of business occasioned by the excess-profits tax and the beautiful picture of every man bearing his own share of the burden under a consumption sales tax.

"Every business reverse, every annoyance, is laid to the excess-profits tax. When prices were high Kahn et al. claimed prices were high because the excess profits were always added. When the balloon burst and prices dropped Kahn et al. pointed to the drop as a business distress caused by the drain of an excess-profits tax. Notwithstanding the tax only reaches a part of the excess profits over reasonable profits of 8 percent, the tax is protested by many men who pay it in the same breath that they confidently declare they pass the tax on to the other fellow.

"One ounce of fact is worth a ton of theory, and a few unprejudiced witnesses are worth all the Kahns, Baches, Rothschilds, and Goldsmiths in the universe who are special pleaders for special interests.

"As heretofore stated, several hundred witnesses appeared before the Ways and Means Committee on tariff schedules. They employ hundreds of thousands of men in the aggregate and have paid many millions of dollars in excess-profits taxes on their factory earnings in the aggregate, yet not one of these men complained of the excess profits law as a hindrance to his business, nor as a bar to incentive. Search the hearings of these hundreds of witnesses, and not one seconds the demand of Messrs. Otto Kahn, Jules Bache, Rothschild, and Goldsmith, bankers, brokers, and special pleaders. What more significant illustration of the difference in attitude between the coupon-clipping and stock market juggling business compared to actual producers, employers of labor, and contributors to the country's prosperity? It is the difference between the broker and the producer, whether he be farmer, factory hand, or manufacturer.

"I respectfully submit that it is the height of folly to remove the excess-profits tax now paid by industries named and to place it on the backs of consumers as proposed by Kahn, Bache, Rothschild, and others before the Ways and Means Committee.

"REAL TAX AUTHORITIES VERSUS 'WOBBLERS AND WAVERERS'

"Thus far I have presented to you the findings of two important tax committees, representing thousands of manufacturers and hundreds of chambers of commerce throughout the country. These findings in both cases specifically repudiate a consumption tax and point out dangers which would not occur to novices or superficial students of the subject. I have also quoted from the Secretary of the Treasury's report specifically rejecting a consumption tax both in principle and as an administrative proposition.

"Quotations have also been furnished showing conclusively that taxes are loaded and this heavy load in addition to the tax will be passed on to the consumer under a turnover consumption tax.

"These high authorities are opposed by several New York bankers, brokers, and accountants, one of whom, Mr. Kahn, has 'wobbled and wavered' for many months and has not yet found his equilibrium. Mr. Bache goes Mr. Kahn one better, as I have shown, and says all income taxes and all corporation taxes should be wiped out and a turnover consumption tax substituted. He adds that he is placing his own funds in tax-exempt securities as rapidly as possible. Mr. Rothschild believes like Mr. Bache, but does not advocate going the limit at this time. These three experts were before the National Industrial Board tax committee and their untested theories were there rejected. However, they are persistent; they have millions of dollars in annual taxes at stake among those they represent; they have a vigorous, expensive propaganda and are well organized.

"They were practically the only witnesses, by a curious circumstance, on the subject before the Ways and Means Committee, except Dr. Adams, and Bache informs the country in his pamphlet that he has grapevine intelligence; that Adams does not count with the Ways and Means Committee when it comes to preparing a bill. These are the financially interested witnesses who are seeking to have Congress relieve them of their taxes and to saddle their tax burdens on the general public.

"They point to Canada, Philippines, and France to prove that a turnover sales tax is desirable for the United States. At the risk of appearing to give undue weight to their arguments, I will quote from the opinions of men who have given the tax subject here and abroad profound and exhaustive study. If the conclusions of the tax committee, already quoted, were convincing, the reasons advanced by the following witnesses are conclusive:

"TESTIMONY OF TAX EXPERTS AGAINST A SALES TAX

"Arthur A. Ballantine, attorney at law, New York City, formerly Solicitor of Internal Revenue, says, page 32, hearings National Industrial Tax Committee:

"'I believe that this idea of a sales tax, a tax collected everywhere, falling on no one, is a will-o'-the-wisp which has floated over this field of taxation and which is in danger of luring business men who approach Congress in an effort to get really beneficial changes into futile action instead of constructive action.

"'I believe that this committee, by the very careful and exhaustive consideration which it has given to the advocates of this plan and its careful thought as to conclusions, has done much to dissipate this myth and to direct the efforts of business men into practical channels instead of down a pathway which leads to futility.'

"For the second witness I quote from Charles A. Andrews, whose frank, clear analysis of the sales tax is illuminating. He says (p. 38):

"'There was on the committee no vociferous objector to the sales tax. There was on the committee nobody who was loaded to kill it. We started in upon the assumption that we were going to work out something in the form of a sales tax. We invited various well-informed people to come before us. We reached out and got printed matter and manuscripts. We made investigations; and slowly but steadily the committee was driven to the inevitable conclusion that it, representing a large body of business men, could not bring before this conference a recommendation for any form of sales tax, except as the same related to a few specific articles, suggestions as to which we have made, and which have been referred to by Mr. Armitage.

"'We haven't the nerve, as good citizens of the country—which we believe we are, and are trying to be—to say to a body of business men in this country, who are suggesting that business be relieved from a billion dollars of excess-profits tax, that we propose a tax which will cause the billion to be paid by the ultimate consumer. That is such a violent divergence from the principle of payment upon the basis of ability to pay that we cannot ask this body of business men to get behind that sort of a tax.

"'We do not believe, in this day and generation—and following the World War instead of following the Napoleonic wars—that we have any business to propose seriously to the Congress of the

United States a tax of a billion dollars, or two, or three (I don't know how much it would produce—all those figures are given), to be paid by the ultimate consumer, and organized business excused from its billion dollars of excess-profits tax.

"'We don't think that is good citizenship; and we don't think that is good economics. That is the real reason that we disposed of or rejected the sales tax, upon the assumption that the tax is paid by the ultimate consumer.

* * * * * * *

"'Well, let us assume that the tax all remained with the original payer of it, and that it is not passed on to the consumer. Does it then become a tax which we can justify ourselves in recommending to Congress? Your committee says "No." * * * Why? If the tax remains with the individual or concern which originally pays it, and he is not able to pass it on, it becomes a tax measured in terms, although not so stated, of his gross receipts; and as such, in the opinion of your committee, it is open to such serious objections that we cannot ask Congress to pass it. * * * A tax on gross receipts which leaves out of the equation all the difference in cost of the conduct of your business as compared to mine—perhaps it takes 90 percent of my gross receipts to conduct my business and pay my expenses; perhaps it takes 50 percent, or 70 percent, or 95 percent of yours—is an unjustifiable tax. * * * The establishment of a tax like that would, in the opinion of your committee, produce such inequalities that our dissatisfaction with the excess-profits tax would be as nothing, and we would find ourselves in the face of inequalities vastly greater than heretofore. * * * It is uneconomic in its nature; it is indefensible, in our opinion, in the twentieth century, if it is a general tax on all consumptions; and for other reasons it is equally indefensible if it becomes a tax in terms of gross receipts, which term means nothing so far as it relates to the ability to pay taxes.'

"Mr. Jules Bache, called as a hostile witness before that committee, gives his own concept of human nature and a cold-blooded alternative for the ultimate consumer who cannot pay the tax. He says, 'Quit consuming.' I quote from his statement before the industrial committee (p. 58):

"'Professor Adams this morning showed the greatest optimism that I have ever heard voiced from the tribune. He states that he believed the taxpayer was a cheerful, voluntary, honest man. That is not my opinion. The taxpayer—and I am not attacking his honesty when I say so—spends 11 months a year devising schemes by which, during the 1 month that he tries to make up his tax statement, he can avoid as many of the taxes as is legally possible, and he generally succeeds in avoiding many of them.

"'The idea of putting a thrift tax into our taxes, which the 20-percent limitation would be, is an excellent one, but the greatest thrift tax would be the turnover tax, since if anybody didn't want to pay any taxes he could merely refrain from consuming.'

"THE CANADIAN TAX IS NOT A SALES TAX

"W. C. Cornwell, an employee of Mr. Bache, read a statement of the Canadian sales tax at that same meeting—page 60—to which Robert G. Wilson, chief of the tax division, American Mining Congress, immediately replied, as follows:

"'I don't know how many gentlemen present are familiar with the Canadian law, but it has been my fortune within the last 3 or 4 years to spend some time in Canada, and for business reasons make some intensive study of the Canadian law. To my mind the Canadian law is not a sales tax.

"'In the first place, the law of July 1, known in the United States as a sales tax, is an amendment to the special war revenue act of 1915, which is an excise tax law.

"'What Mr. Cornwell has had to say regarding the Premier's statement is true. The statement, however, is misleading in that it refers to a sales tax, which in its effect exempts all the prime essentials of life from such taxes; it is only an addition at the rate of 1 percent and 2 percent to excise taxes—luxury taxes, if you please—which rise sometimes 50 percent upon many commodities—luxuries, essentials, and nonessentials. It is not, as the business men's tax committee has termed the proposition, a sales tax.'

"For the next witness I call Mr. J. F. Zoller, tax attorney of the General Electric Co. He says at the same committee hearings, page 62:

"'I want to talk just a minute on the sales tax. Now we have reached the parting of the ways here in regard to the sales tax. Personally, I am opposed to it for the reasons stated by Mr. Andrews. I can't state those objections any better or as well as he did. But the situation as I see it is this: The people who are favoring the sales tax are those who are already required to pay a sales tax under section 900 of the present law, and their position is that if the Government can select this industry and impose a sales tax upon us why not spread it to other taxpayers?'

"THE PHILIPPINE TAX DISCUSSED

"Replying to a statement filed by a Mr. Hord, formerly collector of internal revenue of the Philippines, the next witness, Mr. H. B. Fernald, of Loomis, Suffern & Fernald, New York, says, page 66:

"'The sales tax has been spoken of as if it were a new thing of very recent years. From my experience with the sales tax I go back to two things—one is the matter of the Philippine tax, the other the matter of the Mexican tax. * * * Do you want to place in your business a proposition where every purchaser is to get a receipt on which you are to affix serially numbered stamps, and where you have to account for all your stamps purchased and issued, subject to examination from time to time, to check up as to the number you have left and when you purchase them, and where you have to put down the last serial number you purchased and the serial number you are acquiring now?

"'My objection to the sales tax is particularly from this standpoint, and it is the same thing which will apply to almost any tax, namely, when a tax gets large in amount and it becomes worth while the taxpayer will look for a means to avoid it. * * * It can be eliminated; it can be gotten around. The experience in Mexico has shown that conclusively, and, therefore, it is a tax which will be paid by the small man, while the large man, who is able to change his business organization, can avoid it.'

"WHY ENGLAND REJECTS A SALES TAX

"The next witness is James J. Forstall, of Chicago, attorney at law and member of the tax committee, who speaks of efforts to pass a sales tax in Great Britain, the former home of Mr. Kahn. He says (p. 67):

"'Comment has been made on Canada and Mexico. I would like to say that 2 weeks ago yesterday, through the courtesy of Professor Haig, I had an opportunity to discuss with one of the members of the British income-tax commission and with one of the high tax officials of the British Government the question of the British taxation situation. As you probably all know, they have about as little love for the excess-profits duty as the Americans have for the excess-profits tax, and have been spending 2 years in trying to find a substitute, but they haven't yet found it. I asked each of those gentlemen whether the general sales tax has been considered as a substitute, and they both said the same thing: That it had been taken up and considered very seriously, but that now they were no longer considering it, because they were convinced that it was neither an equitable tax nor feasible from an administrative standpoint, nor one which could possibly be passed through Parliament.'

"For the next witness I quote from A. E. Holcombe, New York, secretary and treasurer of the National Tax Association. He says:

"'I happen to have with me a copy of a bulletin which is just about to come out, and in view of the references to other countries I thought I might read a couple of sentences from the report on the Mexican situation. It seems that early in the Carranza regime he established a committee to look into the entire financial system in Mexico. That committee made an elaborate report, and it has been reviewed by Professor Chandler, of Columbia, who spent some time himself as adviser.

"'It is perhaps not too much to say that the most important proposal to be found in the entire model plan (and that was the name given to this report) is that recommending the suppression of the sales tax throughout the States of Mexico. * * * It has always been a costly tax to collect, and according to the opinion of Mexican officials, who are in a position to know, it has constituted one of the most cumbersome impediments to industry and commerce.'

"HOW FARMERS REGARD A SALES TAX

"The next witness, J. R. Howard, of Chicago, speaks for a million and a half farmers in the American Farm Bureau Federation. He speaks the sentiments of several million other farmers not connected with the organization of which he is president. He says (p. 68):

"'The farmer is interested in paying his just and fair proportion of taxation. He believes every man, every citizen, should pay some tax, because it makes him a better citizen, but he believes that that taxation should be so distributed as to be fair and equitable, and in proportion to each man's ability to pay.

"'With regard to the sales tax, let me say that the farmer occupies a unique position. I think it has generally been conceded in this discussion that the tax is passed down to the ultimate consumer. The farmer can pass nothing to the ultimate consumer, because he buys at the other man's price and sells at the other man's price, and being at that disadvantage and not able to pass it on, he bears an unjust burden and is in a place where I am sure he, as a farmer, will object to the broad extension of the sales-tax principle.'

"Mr. H. C. McKenzie, of Walton, N.Y., a member of the tax committee, seconded Mr. Howard's testimony in vigorous language, as follows:

"'I want to take the opportunity to emphasize the farmer's objections to a general sales tax, which have been voiced by our president, Mr. Howard, and to call your attention to just two or three things briefly. * * * The chief proponent of the sales tax has told you that the excess-profits tax is not only paid by the ultimate consumer, but that the ultimate consumer pays the tax 2 or 3 times in amount. Now, if that is right, the corporations and people who are doing this business are receiving a benefit from the excess-profits tax, and the corporations and business people are the people who are asking for its repeal; they are asking for something that is diametrically opposed to their own interests. According to the chief proponents of the sales tax, the sales tax is paid by the ultimate consumer in its entirety; that is his proposition, as I understand it.

"'Now, your proposition, as developed by the advocates of the sales tax, is this: To take an approximate $1,000,000,000 off the excess-profits tax, which is not paid, as I contend, largely by the corporations, and put it over, according to the proponents of the sales tax, on the ultimate consumer. It seems to me that nothing could be more short-sighted and tend in the end to be a boomerang and to be a disadvantage not only to business but to capital, than to strive to shift the burden of a billion dollars from the business people who now pay it to the living wage—which is what it amounts to—the ultimate consumer. Ninety percent or ninety-five percent of that tax will be paid out of the living wage, if the

contention of the proponents of the sales tax is correct; and I want to say that the farmers who are represented in the American Farm Bureau Federation will never in the world stand for that proposition.'

"'FARMERS WILL FIGHT TO THE END'

"Let me interject a witness at this point whose tenderness for wealth and capital has no conspicuous place in his published statement, from which I quote. I offer an extract from an article given to the press a few days ago by George P. Hampton, managing director of the Farmers National Council, an organization representing an enormous constituency. No one will doubt that equally forceful demands are voiced by the millions of organized and unorganized labor who are to be placed in the new class of turnover-sales taxpayers. Mr. Hampton says:

"'In 1918 [Mr. Hampton states] 22,696 millionaires were estimated by the eminent publicist, Mr. Richard Spillane, to own 27.2 percent of the national wealth, or over $68,000,000,000, while the 33 richest Americans owned property worth about $4,837,000,000, or, roughly, 2 percent of the national wealth. In 1918 the national wealth was estimated to be $250,000,000,000. It is now estimated to be $500,000,000,000. Our 23,000 millionaires are probably worth now about $136,000,000,000 and the 33 richest Americans about $9,675,000,000.

"'If we estimate the net return on this property at only 5 percent, the average income of those 23,000 millionaires is nearly $300,000. Of course, many of them have invested largely in tax-exempt bonds and own a considerable proportion of the $40,000,000,000 of such tax-exempt bonds. While a constitutional amendment would enable the Government to tax the income of these individuals, it will take some time to adopt such an amendment. A direct tax, however, could be levied upon capital values, and should be promptly levied by Congress instead of seeking some method of placing additional burdens of taxation through a retail sales tax, a general sales tax, and other consumption taxes upon the hundreds of thousands of families who today are receiving several hundreds of dollars less than they need to maintain the American standard of living. * * * A retail sales tax and other sales taxes and all similar taxes on food, clothing, and shelter, called consumption taxes, must be paid chiefly by the workers on the farms, in factories, mines, and transportation, millions of whom are getting less than the minimum wage necessary to maintain a family on a decent American standard.'

"Mr. Hampton concludes:

"'The full money cost of the war must be paid by taxes on incomes, corporation profits, estates, and privileges. Such taxes will yield $7,000,000,000 to $8,000,000,000 a year for many years without imposing any hardship upon anyone. American farmers, who this year have lost billions through the slump in farm prices, will fight to the end the plan for the selfish privileged interests to saddle the huge war debt upon our people for years and insist upon prompt payment of that debt by those who profited so hugely by the war and by the monopolies built up in this country before and during the war.'

"A RECOGNIZED GREAT TAX AUTHORITY ON THE SALES TAX

"I could quote from many other witnesses who have not 'wobbled and wavered' for months, but the witnesses I have cited against the sales tax are tax students and authorities, men who have given the question thorough consideration in most cases, are apparently unprejudiced, and whose views are of great value in determining matters of taxation. One of the greatest international tax authorities, whose textbooks are known to every student of taxation, has expressed himself on the subject of a turnover sales tax as late as October 22 last. His contribution on the sales tax here and abroad is concise, fair, and positive. I quote from the statement of Dr. E. R. A. Seligman, of Columbia University (national industrial tax committee hearings, p. 72):

"'The sales tax is not a novel tax, as the Premier of Canada said. If he has followed an academic course in taxation he could have learned of many examples, dating back as far as thousands of years ago. The Romans had it, not to speak of the Egyptians and the Babylonians. I do not want to give a lecture on taxation; I am simply trying to call attention to the fact that the sales tax has existed in one form or another for a great many years. With only two exceptions, it has been abolished everywhere and has not been reintroduced in any first-class country, and those two exceptions are Germany, which reintroduced it in 1919, and France, which, as has been said, introduced it in 1920. Now, before we consider the experiences with this tax, it must be remembered that we can learn little, one way or another, either for or against it from Mexico, or Cuba, or the Philippines, or Canada, all of which are countries of insignificant economic proportions, where we do not find the real kind of sales tax that we have been discussing today.'

"Again (p. 74):

"'The proposition now is to take off one of those three chief categories—the tax on excess profits—and remove the burden from profits on wealth or income and put it on the other or consumption side. This would, in my opinion, unduly shift the balance and bring us too near the position formerly occupied by all the aristocracies of old, and still reflected in some of the European countries. * * * (P. 75:) Why is it that England and America show their democracy, their real democracy, so much more than countries in the difficult position of Italy or France or Germany? There you will find throughout the war and even now the great mass of taxes imposed upon the consumption of the common man; whereas in England and in the United States during the Great War, as over against our experiences in the Civil War, the great majority of taxes are raised from wealth; that is, from those who can afford to pay, rather than from the consumption of the necessaries and comforts of life. * * * After the United States, the two countries of the world which are making the most progress in fiscal reform are England and Italy—for Italy is doing better than France. When these two countries came to consider this problem they went into the question of a sales tax thoroughly and finally rejected it. On the other hand, the two big countries of the world that have adopted the sales tax—Germany and France—did so only as a last resort, after exhausting every other available source of taxation. * * * Germany was forced to this sales tax in the last extremity, and in France the same is true. * * * I have been in California for 8 months and had the pleasure some time ago of addressing a large body of business men in San Francisco assembled to discuss this question. I found that the situation was precisely that which was presented by our committee. Everyone was anxious to get rid of the profits tax, everyone had heard that here was a way out, and it captivated them all; every man in that room was in favor of a general sales tax. But after I had talked with them, not so much in opposition as trying to show that there was another side of the question which they must begin to study, it was marvelous to see what a change came over them; not because I spoke—because everyone would have done just as well—but simply because attention was now called to some of the less obvious aspects of the case.

"'A sales tax on the sales of capital would ruin New York City as the financial center of the country. A sales tax on the necessaries of life would evoke a political struggle the like of which we have never seen in this country (p. 77).

"'The sales tax represents an attempt to put an undue, an extravagant burden upon the consumer, instead of on the producer or the possessor of wealth (p. 79).'

"Dr. Seligman discloses why Messrs. Kahn, Bache, Rothschild, and others of like antecedents from the 'aristocracies of old' favor a sales tax.

"I will willingly leave my colleagues in Congress to say whose advice is to be considered. Shall it be that of a man whose judgment is not warped by personal or pecuniary interests, who handles the subject with the mind of a master, whose opinion is supported by two great tax-investigating committees, by the experts of the Treasury, who have spoken through Secretary Houston and by a dozen reputable witnesses quoted? Whom shall we follow in placing a billion-dollar tax on the backs of the people? Shall we accept these authorities or shall it be the wabbler and waverer banker and broker with his New York colleague, who spends 11 months a year, according to his own admission, in trying to dodge taxes? There can be but one answer.

"LEST WE FORGET

"Mr. Chairman, a terrible war has swept over the world, leaving sorrow and misery strewn everywhere along the trail. The struggle with arms registered over a score of million men dead, wounded, or missing, but this was only one item of the losses. Social, industrial, and governmental upheavals have spread like a prairie fire from the war conflagration.

"In our own land innumerable battles have been fought, as bitter and lasting in effect as those occurring over 3,000 miles away. No statistics will ever record the broken homes, sicknesses, sacrifices, and deaths that have no place in history's battles nor of secret struggles when giving away millions of their best treasures—their boys. Nor will history ever properly record the taking of everything not nailed down during that war by profiteers who robbed the Government and robbed the public without limit or conscience. Scars are not yet healed, for the people have long memories.

"Fortunes have been amassed and laid away that were wrung from the necessities of our Nation and of the people. That is only one chapter from the record, but that is a chapter with which we are now concerned because profiteering and pilfering of the public has been a continuous performance whenever opportunity exists, and it is brought forcibly to mind by the proposal to repeal the excess profits law and enact a general sales tax.

"In a report from the Department of Labor of January 26, just issued, the statement is made that 3,473,466 jobs have been lost within the past year and industry has been reduced approximately 40 percent. In the face of this record Congress is now asked to exempt from taxation those who accumulated enormous profits in great corporate business and also to slash deep the surtaxes of those whose individual incomes reach high levels. According to Bache, who heads the sales-tax propagandists, these taxes now paid out of large profits and high incomes should be shifted on to the three and a half million jobless, who with their dependents must buy food, heat, and clothes, with an alternative, according to Bache, expressed with grim humor, 'to merely refrain from consuming' (p. 58).

"That advice is more cruel than Marie Antoinette's, 'If they can't get bread, why not eat cake?' Bache has many disciples in this country and in the world today, but only the blind fail to see that an autocracy of wealth may become the handmaid of a military autocracy which the world has temporarily destroyed.

"Those who try to view conditions without bitterness or prejudice find the greatest danger to our body politic today lies in the ruthless crushing of the individual, the cupidity and selfishness of men, and a modern-day arrogance of wealth, that in turn demands its protection from those whom it crushes.

"In this day of world-wide commercial struggles, when the individual becomes swallowed up in the maelstrom, it is well to remember that under our form of government the humblest

and poorest is entitled to equal rights of life, liberty, and the pursuit of happiness, unless it is to become a lost paragraph from our Constitution, and that next to liberty the most frequent cause for historic struggles has come from unjust taxation, with its accompanying oppression.

"OTHER TAX ISSUES NOT DISCUSSED

"I have presented what I believe to be facts and authorities that effectually discredit the present effort to saddle a turnover sales tax on the people of this country. One of the greatest campaigns for the tax is now being waged in Washington and throughout the country. The stakes are higher than with any legislative program in recent years because the plan proposes to shift the $800,000,000 to $1,000,000,000 in excess-profits taxes over on to the underfellow.

"Money is plentifully supplied to press this propaganda upon Congress. Every man who pays excess-profits taxes in Congress will be pressed to join the movement, irrespective of economic, governmental, or political results. I have not sought to discuss the repeal of excess-profits taxes nor the proper limit to place on personal income surtaxes. Nor have I assumed to discuss a constitutional amendment that will reach the hoarded wealth of Jules Semon Bache and others who invest their wealth in tax-exempt securities.

"I have not presented the alternative of taxing capital now being pressed in other countries, notably England, and by large farming organizations and some labor organizations in our own country, nor have I dwelt on the fact that while England refuses to give up her excess-profits tax and rejects a sales tax without any consideration, special interests most concerned here, following the example of the railway-bill propaganda of last year, are straining every nerve to do here what England dare not do across the water, and I use the term 'dare not' advisedly.

"THE PRICE IS TOO GREAT TO PAY

"I have not discussed the political liability of a turnover consumption tax, nor have I indulged in useless predictions of what reward will be measured out to Representatives who listen to the siren song of the propagandists and fail to represent those back home, those who will be called on to pay the bill—a billion-dollar tax bill—in addition to other taxes, local and Federal. These are the fruitful fields for discussion and may be covered before any turnover consumption tax is passed by Congress. I have tried to place before you the judgment of recognized experts, expressed both individually and through united action, all of whom condemn the passage of a general sales tax in this country in time of peace. Their views have not been given to Congress in any public hearings, to my knowledge, although sales-tax advocates, led by an amateur expert who wobbles and wavers, have been given full hearings by our committee with accompanying wide publicity through the press.

"To my own mind, the time is one of great concern. The future does not rest alone on the resumption of business but also on the willingness of men of large means to shoulder their full share of governmental and tax burdens. Temporary success of any sales-tax measure will be at the expense of respect for property and of those who succeed.

"The price is too great, and one that even those drunk with power may well hesitate to pay."

I have made the assertion that powerful agencies are now waiting for the action of Congress in order to help them avoid an income tax. This statement is supported by cumulative testimony furnished by witnesses who were quoted in my speech of April 14, 1921, when the last sales tax was being pressed in the House for passage. I then said:

"INVESTIGATE THE SALES-TAX LOBBY

"'In every congressional district in the country' a campaign is being waged by the sales-tax lobby to shift an excess-profits tax on corporations reaching nearly $800,000 annually to a sales tax on everything the people eat, drink, and wear. An investigation is demanded of the slush fund thus raised and of methods used by the lobby.

"Mr. FREAR. Mr. Chairman, I desire to speak on a subject which is closely connected with that which we are discussing today, and yet is not the emergency tariff bill. I would that others more capable could have undertaken it, but I do not believe I have any right to remain silent in view of conditions that should be disclosed to the House at this time.

"There is an element, not in the House particularly, but in the country, that is insisting on a tax on everything we eat, drink, or wear through a sales tax, and effort is being made to put that through at this time. I want to discuss that proposal briefly.

"Let me say, first, that the National Industrial Conference Board, which represents millions of dollars in capitalization and represents millions of men in its employ, has reported, through its committee, against this tax. The United States Chamber of Commerce Tax Committee, similarly constituted, representing all of the chambers of the United States, has reported against that tax, and so has the National Credit Men's Association. What do you suppose would be the verdict if it was submitted to the millions and millions of farmers and men working in the factories and shops today, as well as the clerks and others, if they were to decide upon paying the tax that is to be shifted from the excess profits? That is the proposition proposed at this time.

"Now, I have today on my desk 145 letters received from candy-makers alone demanding a sales tax. I have between 500 and 600 from jewelers, from druggists, from various classes of people who want to have the tax shifted from them over on the backs of the people of the country, and therefore demand a sales tax. We have newspapers and pamphlets galore for a sales tax. Let me read to you from some of them so that you will understand the extent of the propaganda.

"Here is a full-page advertisement headed 'The Bubble Has Burst.' It is from the Wall Street Journal that editorially has criticized me severely for the position I have taken against a sales tax. I want to call your attention to the words of this full-page advertisement. And I understand it was carried in other papers throughout the country.

"On page 7 of the Wall Street Journal of March 17, 1921, it says:

"'M. Francois-Marsal, the banker finance minister, is credited with having discovered a veritable philosopher's stone in the new tax on turnover. The yield is already proving unexpectedly satisfactory, and there appears to be every reason that it will produce a much greater amount than had been anticipated in the Budget estimates.'

"As a matter of fact, every intelligent man familiar with the French sales tax—and the man who wrote that is intelligent—knows that only 37 percent of sales-tax estimates is being collected in France.

"If France is unsuccessful, how can we hope for different results? In France the budget estimates of 487,000,000 and 413,000,000 francs for January and February fell down to 187,000,000 and 151,000,000 for those months as stated, or to 37 percent of estimates, and are dropping proportionately every month. In the April monthly letter Hamilton Institute, I quote a French cable:

"'The yield of the French business turnover tax, which became effective July 1, 1920, has proved decidedly disappointing. * * * The measure has proved cumbersome and unpopular. * * * In each month so far the proceeds have been less than those of the preceding month.'

"The 'letter' further says:

"'The Government cannot cope with the present crisis unless payments on the indemnity are soon forthcoming. * * * France has been less progressive in her tax legislation than England and the United States. She depends less upon the taxation of individuals and corporation incomes and more upon sales taxes and other obsolete methods of collecting revenue.'

"In cable March 27 (Washington Post) it says of the French economic crisis:

"'This, it is asserted here, is not due to overproduction, but instead to willful underconsumption as a result of prevailing high prices, which are likely to continue.'

"HIGH PRICES, UNDER-CONSUMPTION, AND DISTRESS FOLLOW THE SALES TAX

"The above contains a clean-cut survey of the experience of the only large country which has adopted a turnover sales tax.

"The Philippine sales tax offers no solution. Receipts in 1919 were $6,865,624 (₱13,731,248) and in 1920 $7,521,000 (₱15,042,000), collected from 10,500,000 people, or about 75 cents per capita. That rate is 1 percent. (Sec. 1459 P.I.)

"The Smoot rate of 1 percent would bring 75 cents per capita, or about $75,000,000, in this country at same proportionate consumption. It is useless to speculate how much more we would consume. These are the figures. As well compare a skiff on a mill pond or on a large lake subject to heavy winds and waves as to compare the Philippines with a nominal budget and ours with $4,000,000,000 annually.

"Canada's sales tax is not a sales tax and has proven a notorious revenue disappointment, filled with exemptions, administered by a body possessing practically legislative functions, to change or add further exemptions.

"Mr. McCoy, the Treasury expert, I am informed, estimated $185,000,000 annually on our luxury taxes, whereas only about $50,000,000 has been collected, or less than one third of the estimates. This is a final sales tax and speaks for itself.

"Here is the San Francisco Chronicle; I have no criticism, but it publishes a full-page advertisement on the sales tax by the Fidelity & Deposit Co. of Baltimore. It was also published here in the city of Washington, and presumably published generally throughout the United States. Who pays the enormous amount of money to finance this one advertisement, and what was the purpose? The public is entitled to know. Who pays for the lobby that is to be established here in Washington? Who is paying for all this large expenditure of money, and who is instigating the work?

"I have here an original letter from one of the men who appeared before the Committee on Ways and Means. His name is Jules S. Bache, of New York City. His letter is dated March 28, 2 weeks ago. It went all over the country. Thousands of copies, I understand, have been circulated among financial interests that, in the aggregate, have $1,000,000,000 annual excess-profits tax and income tax at stake that is to be shifted to a sales tax:

"[President, Hazen J. Burten, Minneapolis, president Plymouth Clothing House; executive vice president, Henry G. Opdycke, New York; treasurer, Jules S. Bache, J. S. Bache & Co., members New York Stock Exchange]

"THE TAX LEAGUE OF AMERICA, INC., TO
LIFT THE BURDEN OF UNWISE TAXATION,
"NATIONAL HEADQUARTERS, 1270 BROADWAY,
"*New York City, March 28, 1921.*

"DEAR SIR: It is stated that business men in this country are paying out in fees for expert services in the preparation of their income-tax returns about $100,000,000 annually. * * *

"The Government does not receive any part of this vast sum, nor does it receive the hundreds of millions which for one reason

or another are never collected under the present inadequate and bunglesome tax system.

"To simplify and improve the present system a tax on all gross sales is proposed. Such a tax is easily collected, and this is a big thing in its favor. Clearly a sales tax would be inexpensive in its operation and no burden to anyone, and would fairly and equitably spread the obligation of Government expense to all in the fair and just proportion each should bear. Moreover, it will be simple in operation and will return a sufficient revenue.

"I am writing to you because men like you and me may, as well as anyone else, take up the fight for an adequate taxing system. It is our job, since it is our money which is now being taken inequitably from us under a system which constitutes, undoubtedly the greatest blight upon legitimate business initiative now existing.

"I ask your cooperation in a plan now organizing to conduct an educational campaign in favor of a general sales or turnover tax throughout the country.

"For this purpose the Tax League of America has been created, and has already done work which is showing results. Will you, therefore, please send your check for $50, payable to Jules S. Bache, treasurer, and mail same to the Tax League of America, Inc., 1270 Broadway, New York City?

"Yours very truly,

"JULES S. BACHE.

"(First vice president, John Williams, New York, vice president Irving National Bank.)"

"Mr. Bache, from his testimony before our committee, has presumably contributed 20 or 50 times $50. His taxes make the stake worth while.

"How many thousands of these letters are being circulated throughout the country, and what is to be done with the enormous sum of money which will be raised? Mr. Bache was before our committee. He stated he is investing as fast as possible all his money in municipal bonds in order to escape taxation. He stated to the industrial tax committee that the average man spends 11 months of the year trying to legally evade his taxes. He said at the same time the way to escape consumption taxation under his proposition is not to consume. This is the gentleman who is going to crack the whip over the Congress of the United States. His lobby will be working full force in a few days, and then we will be given the benefit of his many publicity agencies in earnest.

"From the New York Times, several days ago, I quote:

"'Plans for uniting individuals and trade associations who favor a general sales tax in support of a measure now being drawn (the Smoot bill) for presentation before Congress have been made by the Tax League of America, Inc. (Julius Bache), whose headquarters are at 1270 Broadway. The program includes a "campaign of education" in every congressional district in the country.'

"The article continues in an extended statement of what Mr. Bache and his aides proposes to do with the new organization.

"Let me read you another statement. This comes from Mr. Meyer Rothschild, who was before our committee. This letter is signed by Mr. N. R. Fuller and pays a high compliment to Mr. Rothschild:

"'NATIONAL WHOLESALE JEWELERS' ASSOCIATION URGES MEMBERS TO SUPPORT JEWELERS' WAR REVENUE TAX COMMITTEE

"'The following letter to members was sent out on March 2 by the National Wholesale Jewelers' Association, urging support of the fight on taxation being led by Mr. Rothschild's special committee:

"'This letter is written to emphasize and call your attention to the necessity of actively supporting—morally, financially, and physically—the work of the jewelers' war revenue tax committee, which is being so capably guided by its chairman, Meyer D. Rothschild.

"'As you already know, this committee and the entire jewelry industry are fighting not only to prevent an additional tax being placed on jewelry but to remove altogether the excise tax on our industry and work for the adoption of a turnover sales tax in lieu of our present inequitable tax system.

"'The points regarding this proposition are too well known to need further discussion, but I do want to emphasize the necessity for ample finances for this committee to use in prosecuting their work effectively and without embarrassment.

"'The present plan for financing the work of the jewelry war revenue tax committee is to select 28 of the leading cities and estimate on a percentage basis what was thought each city ought to raise.

"'A letter has been addressed to you or someone in your city requesting that the quota for your city or district be promptly raised. Experience has shown that unless these matters are followed up and "put across" by someone of ability and initiative the work is never done.

"'Trusting that each member of our association will take it upon himself to be a committee of one to see that Mr. Rothschild and his committee has the financial and active support this cause would justify and with kindest regards, I am,

"'Yours very truly,

"'NOBLE R. FULLER, *President.*

"'KEYSTONE, *April 1921.*

"'N.B.—The treasurer of the jewelers' war revenue committee is A. L. Brown, 68 Nassau Street, New York, to whom checks may be sent or communications directed.'

"From the same publication I quote:

"'Let all your friends and neighbors in these lines know what you are doing, and suggest that they also see their Congressmen and Senators while they are at home and talk to them on this important subject.

"'If you cannot see your Congressman, write to him, and again to your Senators, unless you have had replies to your last letter.

"'Please let us know the result of your interviews, and do what you can to get your friends outside of the jewelry trade, who are taxed under title IX, to work along the same lines.

"'You must work quickly, as the special session of Congress will probably be called for April 4.

"'We are looking forward to your usual loyal cooperation, and hope to hear from you shortly.

"'JEWELERS' WAR REVENUE TAX COMMITTEE,

"'MEYER D. ROTHSCHILD, *Chairman.*'

"35,000 JEWELERS' LETTERS $27,000

"I quote from page 91 of the Jewelers' Circular, April 13, 1921, a public statement of Chairman Larter, of the 'Jewelers' Vigilance Committee', known as 'the governor of the jewelry industry.' He said:

"'Do you know that the jewelers' vigilance committee has paid the jewelry trade's share of the expenses of the business men's tax committee, and this amount up to date for tax matters is in excess of $27,000? About the 1st of January we sent over 35,000 letters to every jeweler in the United States, asking them to write their Congressmen and Senators in favor of the turnover sales tax and to send us contributions. Recently we selected 26 cities in the United States and prorated the amount we thought each city should contribute.'

"Candy men, jewelers, retailers, druggists, stockbrokers, newspapers are all on the job.

"Here they are dividing the United States up into 26 districts to get money in behalf of their organization to help put over the sales tax. I received yesterday a New York paper in which it says some New York man claiming to represent the traveling salesmen says of the sales-tax opposition:

"'That a powerful group of large tax accountants and experts were banded together to defeat the sales tax because it would wipe out the need of their services, for which $100,000,000 a year is now paid.'

"This sounds so much like Mr. Bache's letter that further comment as to its source is unnecessary. They are trying to find the $100,000,000 accountants, and we ought to have them testify where they exist. Let us have the facts.

"Many editorials and news items are being received supporting a sales tax. What will the effect of the excess-profits tax be on the newspapers, the great newspapers, the powerful newspapers of the country? I do not criticize them, but I am speaking of their interests in the subject, for the interest of every witness should be known to the jury. What is the effect of a profits tax on the great newspapers, what do they now pay, and what will be the effect of a sales tax and what difference will it make when advertising contracts go free? We understand the tremendous power they exercise today. They have a right to protect their interests, but what are those interests? Both of these gentlemen—Mr. Bache and Mr. Rothschild—speak of the educational campaigns they are now carrying on in all congressional districts. That same kind of education was carried on by a notorious body of New Yorkers known as the 'National Security League.' We made an investigation of that organization in Congress. What was the result? A discovery of $600,000 or more for an educational fund which was used as a slush fund to aid in the defeat of Members of Congress.

"What part of this Bache and Rothschild fund is a slush fund?

"One of the leading men on the Democratic side, a man of high character, stated to me that the amount of the sales-tax contributions would be a million dollars. That was at the close of the last session, before he knew of the many agencies and funds and lobbies that are being organized.

"The CHAIRMAN (Mr. Reavis). The time of the gentleman from Wisconsin has expired.

"Mr. FREAR. May I have 15 additional minutes?

"Mr. KINDRED. Mr. Chairman, I hope the gentleman may have additional time.

"Mr. YOUNG. I yield to the gentleman 15 minutes more.

"Mr. FREAR. I am asking for an investigation in order to stop this tremendous propaganda, or in order to permit Members of Congress to decide these questions upon their own merits and not upon the representations of men who are demanding we shift a billion dollars in taxes from them over to the backs of the 100,000,000 who cannot escape. I have received probably 600 letters demanding a sales tax. How many have you Members received? All the letters received from this propaganda are on one side, practically, with not 10 letters to the contrary, whereas the sentiment of the country is just the reverse. One million men want to escape excess-profits taxes and are trying to shift their taxes onto the remaining 105,000,000 through a sales tax. To pyramid the costs of living for every man with a family of five to from $100 to $200 or more annually. What will these people say if we pass a sales tax?

"I have here a letter received last night from my home city, sent out by the Rothschild organization. It says there there is going to be raised $4,000,000,000 by the 1-percent sales tax. What a dishonest and false statement to make. Every district is to be flooded with letters, my friends, and I ask for an investigation. I do not think Congress ought to sit mute when these matters

are pressed upon the country by irresponsible 'incorporated' concerns, and that is a reason why there should be an investigation.

"I am not going to discuss the sales tax now. I did so in my speech of January 31. I want you to understand the propaganda on this revenue sales tax bill financed by the man who has the money, the excess profits, and who is trying to shove his taxes onto the poor people of the country. He should pay according to his ability to pay, a principle that has stood for generations and is supported by the organizations quoted against a sales tax. The best tax experts in the country insist on that principle. Why not? Why should every dollar's worth of necessities a poor man buys, his coffee and tea and sugar and clothes, be taxed to relieve the men who will pay nearly a billion dollars in excess-profits taxes in 1921 after deducting their $3,000 exemption and 8 percent on their invested capital, which is now exempt? The United States Steel Corporation the other day reported that it made 43 percent more in 1920 than it made in 1919, or $109,000,000 profit. Texas Oil the other day reported a profit of $85,000,000, and it made 56 percent more in 1920 than in 1919. Are you going to relieve those people from that excess-profits tax? I cannot believe it possible, unless some equally just tax is to be substituted.

"I have here an editorial from the Wall Street Journal, of over a column, criticizing me because I made a speech here against the sales tax on January 31.

"I delivered the speech and sent it out, because I am thoroughly opposed to a turnover sales tax to run the Government. I wish other Members who are better able to do so would undertake the task of presenting opposition, because it calls for action and because, as the gentleman from Iowa [Mr. Good] said on this floor, 'Any party that undertakes to put a sales tax through will be defeated the next time at the polls.' I fear he is right. The editorial was unjust, made many misstatements, and failed to mention facts that could not have escaped the attention of any fair-minded writer. My answer says:

"'APRIL 14, 1921.

"'EDITOR WALL STREET JOURNAL,

"'*New York City, N.Y.*

"'MY DEAR SIR: Your column editorial in the Wall Street Journal of April 5 is received, wherein I am chastised editorially by B. S. Orcutt because in my speech of January 31 I opposed a sales tax and because I recently stated: "All sales-tax people desire to force that tax on the people before it can fully be understood." That statement I repeat, while the Journal confesses its truth and avoids by saying an "educational" propaganda demanding a sales tax is now on. A strong tax propaganda has been on for months, although it misrepresents, misstates, and theorizes without basis or reason. Members have been deluged with sales-tax letters urging a discredited tax, generally abandoned centuries ago by civilized governments. I have received 500 letters, including 145 from candy makers alone, all demanding to be exempted from taxes they now pay and also demanding that Congress substitute a sales tax. This kind of "education" is admitted.

"'A powerful lobby with an enormous slush fund is planned in Washington to push the sales tax through Congress.

"'Is that the "educational" medium to which you refer? Highly paid publicity men and men who crack the whip in Wall Street are about to crack their whips over Congress, according to this propaganda, in an effort to shift $1,000,000,000 in taxes they now pay annually over to the backs of the hundred million men, women, and children of the country who consume. These millions have no lobby, but they are to be sales-taxed over a billion dollars on everything they eat, drink, and wear, so that Wall Street profits may go untaxed or may be undertaxed. This lobby includes scores of men now taxed who are expected to appear before the Senate committee to voice their woes, while the sales-tax lobby is as boastful and brutal as the National Security League of like membership and fame, that blew up when its $600,000 "educational" slush fund and Wall Street methods were exposed by Congress.

"'The Wall Street Journal is recognized as a leader in this present sales-tax propaganda, for apart from its editorials the Journal printed a full-page "advertisement" on March 17, page 7, demanding a sales tax—

"'I referred to a page advertisement in the Wall Street Journal that favored a sales tax—

"'Therein this advertisement said of the recently enacted French sales tax: "The yield is already proving unexpectedly satisfactory and there appears to be every reason that it will produce a much greater amount than had been anticipated in the budget estimates."

"'The Wall Street Journal carried that false statement throughout the country on March 17, although long prior to that date the New York press printed the fact that French budget estimates of January and February 1921 were 487,000,000 francs and 413,000,000 francs, respectively, yet the actual receipts by the French Government for the same months had only been 187,000,000 francs and 151,000,000 francs, in round numbers, or a little over one third of the estimates. At present values this reached only $11,000,000 monthly for France, or less than 10 percent of what is predicted here. In other words, the Journal was 63 percent wrong on the most important statement in its full-page advertisement of March 17.

"'No greater injustice could be done Congress than to send broadcast this glaring misstatement of the most important fact on which a sales tax law was to be based. Was it a mistake on your part?

"'Your Orcutt editorial of April 5 pretends to explain why a packed sales-tax crowd led by Bache and Rothschild, tax leaders, failed to capture a meeting of the National Industrial Tax Conference which had previously denounced a sales tax.

"'The National Industrial Conference Tax Committee represented thousands of great industries, billions of dollars in the aggregate, and millions of laboring men employed, whereas Bache and Rothschild are New York stockbrokers or jewelers. That committee squarely rejected the sales tax. Its authority was limited to its report, but you complain because a handful of Wall Street tax dodgers failed to capture the meeting. That is the burden of your editorial. Three members there present state your editorial criticism is a misstatement of fact.'

"Three members of that committee in my office all said that I had stated the facts correctly in the speech of January 31, and that there was no correction they had to make. And let me say this, that all men of great means are not in favor of a sales tax. Mr. R. P. Hazzard, who is at the head of the Hazzard Shoe Co., said in my office two or three days ago, 'Mr. FREAR, it would be $200,000 more a year interest to me to have the sales-tax provision passed, and yet I have been opposing it at every place I could, speaking against it constantly.' Mr. Hazzard realizes, as he says, not only the injustice of putting this enormous tax burden upon the shoulders of the people, but beyond that comes the question of destroying many small companies that compete with his big company and other integrated concerns where he and they would have a great advantage through a turnover sales tax.

"I am continuing to read from my letter to the Wall Street Journal:

"'Your deliberate purpose to mislead and deceive is again emphasized. The contributor of your editorial, Mr. Orcutt, had an intimate knowledge of the tax meeting referred to and of my speech. That you admit. He knew that I quoted in my speech of January 31 at length from official reports of two important committees, the national industrial tax committee and the United States Chamber of Commerce tax committee. Both committees repudiated any sales tax. Why did you not state in your editorial that the tax committee of the United States Chamber of Commerce, representing hundreds of thousands of business men of the country, not only reported unqualifiedly against any sales tax, but on February 21 reported on a referendum to the chambers of America, which was widely published in the press? Why did you not state that in this referendum 1,221½ votes favored an excise tax but opposed its imposition on articles of first necessity, with only 504½ votes opposed, contrary to the Journal's position? On the referendum of, "Should a sales tax be substituted for an excess-profits tax and excise tax?" the vote was 706½ for and 857½ against, or a majority of 151 unit votes against. On the referendum of, "Should a sales tax be levied in addition to excess profits and excise?" the vote was 767½ for and 894½ against, or 127 majority unit votes against. Why did you not give the facts where hundreds of thousands of business men were represented, as by these organizations, distinguished from a handful of Wall Street sales-tax boosters, whose money and publicity is their capital in trade?

"'What more significant evidence of deliberate concealment of facts and of misstatement could be afforded than your unfair reference to one committee and concealment of the other? What effect does the excess-profits tax have on the advertising profits of your paper and of all the other large papers? Will you escape many thousands of dollars tax annually under a general sales tax law?'

"'ONE HUNDRED MILLION PEOPLE AGAINST A SALES TAX

"'What do you honestly believe, Mr. Editor, is the sentiment of the 10,000,000 farmers and an equal number of laborers on whose backs the Wall Street Journal and its bulls and bears are trying to shift a billion-dollar tax burden now paid by the rich out of their profits? What is the sentiment of the millions upon millions of women and children who have no powerful lobby, no Wall Street Journal, no great slush fund, and no wide propaganda, but who confidently depend on Congress to protect them now and always? Is their opinion to be ignored?

"'What answer do you make, Mr. Editor, to the statement of Chairman Good, of the Appropriations Committee of the House, that "a sales tax is a tax on the backs and bellies of the people, and any party passing such a law is certain to go down to defeat"? Yet you approve that iniquitous tax.

"'The country knows those you represent are less than 5 percent of the American people, men whose politics and principles are measured by personal interest or by the dollar mark, and many of them regard millions of jobless and of God's patient poor with unconcern or worse. Business interests such as you represent sent a great political party down to defeat 8 years ago by use of money and the same tactics you now pursue.

"'Do you not believe men responsible for placing a sales-tax burden on the people will be remembered for their action, even as those who burdened the people with the 1909 tariff bill, and do you not believe this effort of greed and extortion on the part of those who have profiteered in the past and who now lead the sales-tax effort in putting screws on the people is unjust?

"'Do you believe it is fair for the Journal to open on a humble Member of Congress with over a column editorial of misstatement and concealment in a cuttlefish effort to obscure the issue? If you do not—and I assume you have an element of fairness that the advertising pages affected by existing excess profits tax laws

cannot control—will you please give publicity to this needed correction of your editorial equal to that given your manifestly untrue editorial of April 5?

"'Very truly yours,

"'JAMES A. FREAR.'

"Mr. Chairman, the other day I sent to the Members of the House my speech of January 31. I did it simply because you, like myself, have received some 600 letters with little to the contrary. All I wish to do is to bring this before your attention, and as long as I sit in Congress I shall try to bring to your attention propaganda presented only on the one side when the people back home have had no voice on the other side. No case as flagrant has occurred in years as this sales-tax lobby and sales-tax propaganda.

"Mr. CONNALLY of Texas. If the excess-profits tax is to be repealed, what is the gentleman's idea as to how revenue shall be raised?

"Mr. FREAR. One way in part is the bill of the gentleman from Ohio [Mr. Longworth], which is a good one, supported by Mr. Houston, of the Treasury Department, to put 6 percent additional to the 10 percent on the net profits of corporations, which will raise about $450,000,000 according to their estimates. Rather than have a sales tax, I am willing to accept practically anything. Next, we might put a tax on undistributed profits, if necessary, which will raise about $190,000,000 by the tax proper, according to Treasury estimates, and would realize about $400,000,000 more, according to the statement of the Treasury experts at that time, or nearly $600,000,000 or over a billion dollars by those two items of revenue alone, in addition to nearly a billion dollars excess under present revenues for 1921, according to estimates.

"Mr. CONNALLY of Texas. The gentleman recalls the statement in the President's message the other day that you gentlemen were committed to the repeal of the excess-profits tax.

"Mr. FREAR. I heard the President's statement. I have no issue to join with him. I do not care to have any political issue raised about this. Let me say this, if you gentlemen are sincere and honest in this thing, regarding your opposition to a sales tax, come and help us now to let Congress and the country know what efforts are being made to put through a sales tax. Do not wait until we do something on this side of the aisle and then complain about it. Why did you not pass a resolution against a sales tax yesterday in your caucus? Then was the time to help those of us who feel the same way about it, for I know many of you are opposed to that kind of a tax.

"Mr. GARNER. Will the gentleman yield?

"Mr. FREAR. I yield to the gentleman from Texas.

"Mr. GARNER. Does the gentleman favor the taxes he has just suggested instead of the excess-profits tax?

"Mr. FREAR. I would favor any of them by far in preference to a sales tax.

"Mr. GARNER. I did not ask the gentleman that. I ask the gentleman personally whether he favors those taxes that he has enumerated instead of the excess-profits tax?

"Mr. FREAR. I am glad the gentleman has asked me that, because the experts in the Treasury Department say there is no tax more fair than the excess-profits tax. I believe the men who are able to pay the taxes should pay them, and there is no one better able to pay than those who make excess profits.

"Mr. BANKHEAD. Will the gentleman yield?

"Mr. FREAR. I yield to the gentleman from Alabama.

"Mr. BANKHEAD. Does the gentleman think there is any serious danger of his party imposing a sales tax as a revenue scheme?

"Mr. FREAR. Oh, I wish I could tell the gentleman some things that I believe but do not know and that I cannot speak of here. [Laughter.] Let me say that they are not of a political character, but I do know the situation, and the serious menace of a sales tax, and you know what is being done as well as I do in regard to it, because I have laid before you some of the data in my possession.

"Mr. LONGWORTH. Let me suggest that a very large portion of the amount that would be lost by the repeal of the excess-profits tax will be raised at the customhouse under a bill which I trust will be shortly reported to the House.

"Mr. FREAR. A good suggestion coming from the gentleman from Ohio—300 millions is an item of additional income which will be received from the customhouse under the new tariff bill, according to Treasury estimates. We also have proposals that will raise about $2,500,000,000, so no possible excuse exists, in my judgment, for putting through a sales tax. I thank you." [Applause.]

Mr. Speaker, I have submitted with these remarks some observations on a turn over sales tax that is not particularly involved in the bill before us, but it discloses from the lips of able tax experts that a manufacturers' tax which enables the manufacturer, jobber, wholesaler, and retailer to take his profits and a little extra, if need be, is equally objectionable when it fastens the tax upon the necessities of the consumer, rich and poor alike, with certainty that the poor will pay far more proportionately than his rich neighbor, who is endeavoring to eventually secure a sales tax as a substitute for the present income tax.

The income tax law was only obtained by constant struggles by the people. It was first defeated by a Supreme Court decision of 5 to 4 that attempted, with assumed constitutional authority, to prevent the imposition of an income tax. The minority opinion of four members of the Court was so conclusive in character that Congress immediately offered a constitutional amendment to secure amplified power under the Constitution to pass another income tax law. Based upon that amendment and law, again the tremendous pressure by great financial organizations was felt, and the Court divided again 5 to 4 on the stock-dividend decision, which emasculated the law and, in effect, has weakened the income-tax provision of the Constitution.

All this is familiar history to tax students, but it has a bearing to show the tremendous power which is now being exercised by these same wealthy individuals and interests that have failed permanently to prevent the income tax being levied upon them and who now seek to substitute a sales tax on the theory that 2¼ percent tax is so small that it will not create opposition, but the camel's nose under the tent will be pressed to a much higher extent, either by a larger rate, like the 6-percent manufacturers' tax rate now in Australia, or by a turnover-sales tax, if it can be successfully pressed on Congress as heretofore attempted.

Let me say frankly that is the avowed purpose of those now urging the tax, but I am sure it is in no way chargeable to some of those who are defending it at the present time. They have been captured by the pleasing cry of balancing the Budget, and instead of placing taxes where they belong—upon those best able to pay—they are flirting with a tax that once accepted and placed in the statute will be a Sindbad burden, only to be unloaded by some general revulsion of sentiment, political or otherwise, throughout the country.

On March 14 this week, I sent a letter to my colleagues of the House, of which the following is a copy:

"CONGRESS OF THE UNITED STATES,
"HOUSE OF REPRESENTATIVES,
"*Washington, D.C., March 14, 1932.*

"DEAR COLLEAGUE: Do we want a sales tax? A head tax or poll tax in its effect, it discards the principle of comparative income or ability to pay, but taxes consumption. In the RECORD of Friday, March 11 last, pages 6018 to 6036, is found quoted nearly a score of eminent tax experts and farm and labor organizations in this country and in Canada in opposition to a sales tax, taken from a former speech. Although then urged by the Treasury, that tax was defeated by the House committee—and other tax sources found.

"Vigorous opposition was expressed by these witnesses against alleged efforts to substitute a sales tax for income and other taxes. Arguments against the tax by labor and farm organizations and all others in 1921, apply especially in these days of business depression and unemployment when the people are demanding bread for relief instead of a stone.

"None of these witnesses apparently was heard in the recent committee hearings. A manufacturers' tax with profits of jobbers, wholesalers, and retailers is usually passed on to the consumer. Ex-Senator Hardwick, Georgia, testified in 1920 before the committee that such increase, in cases cited, might reach 100 percent over the original sales price. Witnesses in opposition to a sales tax will also be found in my speeches of January 31, December 21, and April 14, all in 1921, and February 21 in 1922.

"The Canadian sales tax produced $38,000,000 in 1920–21, $100,000,000 in 1923–24, and only $20,000,000 in 1930–31 (hearings, p. 249). Change in character and rates should be studied, when England, though badly depressed, has steadily refused to follow her two colonies with this unjust tax that carries a rate of 4 percent in Canada and 6 percent in Australia, rates later to be urged on Congress by strong influences.

"No substitute taxes need be suggested. The gift tax on $50,000 is only started at 1½ percent. The estate tax should not remit 80 percent for State credits. Increased tax is justified on cigarettes, now costing three times as much in Canada (hearings, p. 246). Tax on gasoline of 1 cent and on car and truck sales, with other items, will be more just to 95 percent of America's consumers than a sales tax.

"If, as predicted by the press, this $600,000,000 consumption tax remains in the House bill, the Senate may substitute some other tax for one which England rejects and all tax experts I have quoted declare is against correct principles of taxation—a tax on necessities that will increase the prevailing distress and discontent.

"Very truly yours,

"JAMES A. FREAR."

Mr. Speaker, although the time is too limited to obtain any extended statements from organizations that militantly opposed the sales tax when last sought to be fastened upon consumers, I offer the opinion of leading officials of the American Federation of Labor appearing in the following statement:

"[From the American Federation of Labor official information service]

"William Green, president of the American Federation of Labor, issued the following statement today regarding the proposed sales tax now being considered by Congress:

"'The sales-tax provision of the pending taxation legislation is strongly opposed by the American Federation of Labor. This position of the American Federation of Labor is based upon its traditional opposition to all forms of sales-tax legislation. Whatever argument is offered in support of sales-tax legislation during periods of reasonable prosperity cannot apply now. The existing economic situation adds to the strength of argument against the imposition of such a character of taxation. The sales tax would fall more heavily upon the masses of the people who are now suffering from unemployment than upon any other group of our citizenship. To add a sales tax to the reductions of wages which have been imposed upon wage earners during the last year would mean addition to the misery, woe, and want which now prevail throughout the land.

"'How can men and women who are unable to buy the bare necessities of life be expected to pay a sales tax upon the limited merchandise which they are able to buy? This proposed manu-

facturers' sales tax will affect the sale of clothes, shoes, and a large percentage of foodstuffs. To impose this sales tax upon these necessities of life would mean that the masses, who are now purchasing only a limited amount, would be compelled to buy still less. It is a form of taxation which is contrary to the basis upon which we have always built our tax structure, namely, to relieve those who are least able and collect from those who are best able to pay.

"'The Democratic convention, held in 1924, adopted the following declaration: "We oppose the so-called nuisance taxes, sales taxes, and all other forms of taxation that unfairly shift to the consumer the burdens of taxation." So far as the record shows this position, assumed by the Democratic convention in 1924, has never been changed or modified. In the light of this declaration, it is now difficult to understand how and why the majority party in Congress should favor this character of legislation.

"'The membership of organized labor holds that the burden of taxation must be equitably distributed upon all classes of people. The sales tax violates this sound principle because, in operation, it imposes a burden upon those who are unable to bear it. Such a tax as the proposed sales tax will tend to delay a return to prosperity. It will further destroy the very limited buying power now possessed by the masses of the people. It will prevent the sale of manufactured goods and it will mean less food, warmth, and clothing for millions of men, women, and children. Labor will call upon its friends in Congress to defeat that section of the taxation measure which provides for a sales tax.'"

Here is advice from the National Grange, Washington, D.C., March 17, 1932:

"Hon. JAMES A. FREAR,

"*House Office Building, Washington, D.C.*

"DEAR MR. FREAR: Replying to your letter of recent date, I note what you have to say regarding that feature of the new revenue bill relating to the sales-tax proposal. If the proposed sales tax should be enacted, according to my advice it would cost the 6,000,000 farm families of America at least $300,000,000 a year due to pyramiding.

"In answer to your question as to whether the Grange would still oppose the imposition of a sales tax if canned goods were exempted, I beg to say with emphasis that we would still be against it.

"As the Washington representative of the Grange, I was one of the first witnesses to appear before the Ways and Means Committee in connection with the hearings on the revenue bill. I told the members of the committee that we were opposed to a sales tax, because it was a tax on the necessities of the people and ignored the principle of ability to pay.

"It was not until shortly before the bill appeared that we began to hear rumors that the committee was seriously considering a general sales tax. We had no definite knowledge on the subject.

"If the bill passes the House with the sales tax proposal included, we shall, of course, fight it in the Senate. However, we hope that the provisions for a sales tax may be stricken from the bill in the House. Otherwise, even if it should be defeated in the Senate, complications might ensue in conference.

"I am convinced that if this legislation could be held up long enough to get the reaction of the people back home, the sales tax would not pass. In view of the condition of the rank and file of the people throughout the country, the proposal for a sales tax is nothing short of a legislative monstrosity. It should be killed and buried beyond hope of resurrection.

"I am enclosing herewith a copy of a letter on the subject which has been sent to all Members of Congress.

"Sincerely yours,

"FRED BRENCKMAN,
"*Washington Representative.*"

"THE NATIONAL GRANGE,
"*Washington, D.C., March 15, 1932*

"*To the Members of Congress:*

"We recognize the unpleasant duty with which Congress is confronted in framing legislation to balance the Federal Budget, but we desire to register an emphatic protest against that feature of the new revenue bill which calls for the imposition of a sales tax.

"It is conceded that there are approximately 8,000,000 unemployed people in the United States at this time. Adding their dependents it would probably be conservative to say that 25,000,000 people are without any income today and many of them are subsisting upon charity. The disproportionate burdens of taxation which have been placed upon agriculture, together with the collapse of prices received for farm products, have worked the virtual ruin of our farmers. Combining the unemployed in our industrial centers with the agricultural population gives us a total of more than 50,000,000 people whose purchasing power has been greatly impaired or wholly destroyed.

* * * * * * *

"Further than that, on December 7, 1931, in response to a request for information from a Member of Congress, the then Secretary of the Treasury, Andrew W. Mellon, stated that there were unpaid taxes due the Government and pending on appeal amounting to almost a billion dollars. These taxes are due principally for 1929 and previous years. Speeding up adjustments and collections in these cases would bring hundreds of millions of dollars into the Federal Treasury and would, to that extent, obviate the necessity for imposing new taxes.

"The imposition of a general sales tax would meet with the unqualified disapproval of the 27,000,000 people upon the farms of this country. The effects of such a tax under prevailing conditions would not only be oppressive but would delay the return of prosperity, and could not be justified.

"Yours respectfully,

"THE NATIONAL GRANGE,
"FRED BRENCKMAN,
"*Washington, Representative.*"

This word is from the Farmers Union:

"THE FARMERS' EDUCATIONAL AND
COOPERATIVE UNION OF AMERICA,
"*Washington, D.C., March 16, 1932*

"Hon. JAMES A. FREAR,

"*United States Representative, Washington, D.C.*

"DEAR CONGRESSMAN: I sent telegrams to every State headquarters of the Farmers' Union about a week ago asking them to have their members to send telegrams and write letters to their respective Congressmen and Senators asking them to oppose the sales tax.

"Your truly,

"JOHN A. SIMPSON, *President.*"

This is a brief that speaks for itself about Canadian taxes:

"MEMO FROM BRIEF PREPARED BY CANADIAN MANUFACTURERS' ASSOCIATION—TAXATION

"It seems inevitable that the basis of taxation must be broadened, i.e., more people will have to pay taxes according to their ability.

"Last year a special committee of the Canadian Manufacturers' Association, in cooperation with other organizations, investigated the problems of taxation, not only in Canada but also in the United States, Great Britain, France, and other countries. This committee submitted the following recommendations to the Dominion Government:

"'(a) That the business profits war tax shall not be reenacted.

"'(b) That the income war tax act as regards corporations shall be repealed.

"'(c) That the present sales tax shall be adjusted so as to provide the additional revenue needed by the Dominion Government.'

"At the last session of Parliament the business profits war tax act was not reenacted; the sales tax was readjusted so as to provide additional revenue, but the income war tax act as regards corporations was not changed.

"As we believe that the general policy outlined in these proposals is sound, we respectfully beg to submit the following similar representations to the present Government of Canada in the hope that Parliament will see fit to act favorably on them at the coming session:

"(a) That duplication of taxation be avoided as much as possible.

"(b) That the income war tax act as regards corporations shall be repealed.

"(c) That the present sales tax shall be adjusted so as to provide additional revenue.

"In considering (a) and (b) attention is drawn to the case of a company operating in all the nine Provinces of Canada. This company is taxed by the Dominion Government; it is taxed by each of all cases as a corporation, its shareholders are also taxed by the Dominion, provincial and municipal government on property, business, dividends, and income.

"We submit that the Dominion Government should make an arrangement with the provincial governments, whereby this duplication would be, in part at least, avoided.

"In regard to the sales tax we beg to advocate:

"'That as the sales tax is a tax payable by the purchaser, manufacturers and wholesalers should not be held liable for any taxes which they cannot collect owing to the purchaser becoming insolvent or refusing to pay, even though the manufacturer or wholesaler has in the meantime advanced the amount of the tax to the government when making his monthly returns.'"

Mr. Speaker, here is a novel provision, that a taxpayer, whose business it is to collect his tax before delivery of goods to the wholesaler, is to be exempt from taxes passed on to the consumer after the wholesaler fails to pay for the goods. It is one of the inconsistencies that makes a sales tax unjust and objectionable.

The foregoing remarks are submitted, and without summing up let me say that, without reflection upon the committee's report, the sales-tax feature based on the hearings is not supported by any witness except as to painless administration by some official.

The policy was not approved for a temporary or permanent tax.

The reports contained in speeches oppose unanimously a consumers' tax, because a tax on necessities. For these reasons I submit the manufacturers' sales tax should be stricken from the bill.

Here is a last letter just received:

"THE FARMERS' EDUCATIONAL AND
COOPERATIVE UNION OF AMERICA,
"*Washington, D.C., March 17, 1932*

"Hon. JAMES A. FREAR,

"*United States Representative, Washington, D.C.*

"DEAR CONGRESSMAN: The Grange, the Farm Bureau, and the Farmers' Union all testified before the Ways and Means Committee against a sales tax. We are against it now. Our members all over the United States are writing their Congressmen and Senators, and sending them telegrams saying they are against the sales tax.

"I do not know whether Canadian farm organizations favor a sales tax or not. I would gamble a little that they do not favor it.

"We three farm organizations did not believe a sales tax was being seriously considered by the Ways and Means Committee. We shall certainly go before the Senate committee if the House passes the tax bill with the sales tax in it.

"We, the farmers, feel that for 3 months Congress has been passing large quantities of candy out to the big bankers, railroads, and other big business without any of it getting to the farmers. We consider that we have been rankly discriminated against in the blessings bestowed by the Government. But we are amazed to find that when there is a load to carry the burden is shoved onto our backs.

"I predict there are more voters in the Nation watching this sales tax than any one measure that has arisen in Congress since the World War.

"Yours truly,

"JOHN A. SIMPSON, *President*."

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Chairman, ladies and gentlemen of the Committee, every speaker who has addressed you with reference to this bill has impressed upon you the fact that this is a most important piece of legislation. There can be no question about that. It is not my purpose to discuss it technically, and I am not going to dwell upon its constitutionality. Our highly esteemed friend, the gentleman from Pennsylvania [Mr. BECK], went into that yesterday. Others have elucidated this phase of the question.

Mr. COX. Will the gentleman yield?

Mr. JENKINS. Yes.

Mr. COX. Is there any question in the gentleman's mind but that the bill is unconstitutional?

Mr. JENKINS. I have heretofore indicated that I did not intend to discuss this phase of the question. No one can discuss it intelligently in the time allotted me, but I should say to my distinguished friend that I have gone into it rather extensively. At first blush it was my conviction that this bill was not constitutional, but as I went along and as I considered it, and as I considered the great emergency in which we find ourselves, I am about come to the conclusion that when this matter comes squarely before the Supreme Court of the United States, the Supreme Court, as it has always done, will be guided somewhat by the intentions of the framers of the legislation and of the Congressmen and Senators who enacted the legislation. The gentleman knows that the courts construe acts in the light of the intention of the legislators and in the light of the spirit of the legislation. The gentleman knows as well as any other lawyer here that the law is a growing proposition. It has grown and all of us who are lawyers here have seen it grow. We have seen the Supreme Court of the United States change its thinking with the changes of the times. If this bill proves to be a success or if this bill does what it is hoped it will do (although I am not here to prophesy that it will do everything that everybody hopes it will do), yet if the bill does what the proponents of it honestly think and hope it will do, I think the Supreme Court of the United States will find it to be consonant with the general-welfare clause of the Constitution.

Mr. COX. Will the gentleman yield there?

Mr. JENKINS. Yes.

Mr. COX. Does the gentleman mean to say to this Congress that it is his judgment that the Supreme Court, because of popular clamor, will justify the Congress in undertaking to exercise a police power when it has not the power to suspend the operations of the fundamental law of the land? Is that the position that the gentleman takes?

Mr. JENKINS. No; I do not mean to say that, and I hesitate to think that the Supreme Court will do that; but at the same time the law grows as does public sentiment.

Mr. COX. That is exactly what the gentleman has said the Supreme Court will do.

Mr. JENKINS. No; I beg to differ with the gentleman. I say that the beauty of the law, in addition to its immutability, is its growth. Our Constitution was the product of the sentiment of the people, and the Constitution that responded to the sentiment of the people then is flexible enough now to respond to the sentiment of the people now if there is unanimity of sentiment.

Lincoln said:

The dogmas of the quiet past are inadequate for the stormy present. Our case is new. We must think anew and act anew.

Of course the Supreme Court will hew to the letter of the law. I am not going to say beyond every peradventure that this bill is constitutional, because I lay no claims to being an authority on the Constitution, and I cannot discuss the subject exhaustively in 10 minutes, and perhaps not if I had 10 hours. It is a complicated question. Some of the great constitutional experts of the country discussed it before the Ways and Means Committee at great length. The gentleman from Pennsylvania [Mr. BECK] did not absolutely give you his opinion as he would a client that this bill would be unconstitutional. I dare say he hoped with the rest of us that if it does what it is sought to do that the Supreme Court will find some way to make it constitutional.

Mr. KELLER. Did not the Supreme Court in times past do exactly the thing the gentleman says and then reverse itself?

Mr. JENKINS. There is no doubt the Supreme Court has reversed itself. It is done, but I do not want to go into that further here.

Mr. BECK. Will the gentleman yield?

Mr. JENKINS. I yield.

Mr. BECK. Did I understand the gentleman to say that in my modest contribution to the subject yesterday I said that the bill was constitutional?

Mr. JENKINS. No. I did not say that. I say that when the gentleman spoke yesterday he did not speak with the conviction that he has spoken heretofore on constitutional propositions. I gathered—and I followed him closely—I got the impression from the gentleman's remarks that he felt that if the bill does what it purports to do under title I, the Supreme Court of the United States might find it convenient to hold it constitutional.

Mr. BECK. I said that the Court might do so; but if the Court, in the face of its prior decisions, sustains the constitutionality of this bill, it will have to swallow the largest dish of crow that any court ever swallowed.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. JENKINS. I yield.

Mr. VINSON of Kentucky. If the Supreme Court should happen to adopt the principles expressed by that great liberal, Justice Brandeis, they will not have very far to go to determine that the bill is constitutional.

Mr. JENKINS. I thank the gentleman. I must proceed, for when lawyers become involved in discussion of constitutional questions, the discussion might run on interminably without anyone's being convinced either way.

The title to this bill is not expressive of the full purport of the bill. It contains no recitation of the fact that it is a revenue raising bill. The framers of the measure showed legislative cunning in this respect, for words such as "To encourage national industrial recovery" are much softer and less antagonistic than such words as "to raise revenue by increasing taxes."

Title I of this bill seeks to "encourage national industrial recovery" by stabilizing industry. If it does not stabilize industry, it will be unfortunate. If it does stabilize industry, it will accomplish what the country has been longing for for the past few years. This bill goes to heroic lengths in an attempt to accomplish this stabilization. In fact, it strains the Constitution to the utmost of its elasticity. It carries a tremendous grant of powers to the President. With that grant goes a commensurate responsibility.

I hope the President will fully realize the extent of these powers and that he will not permit them to be abused as they have been by those to whom he gave the authority to deal with the economy law as it applied to veterans' pensions and compensations. In the consideration of this measure before the Ways and Means Committee I sought to bring out from the witnesses their reaction to the sentence on page 3 of the bill which states "that such codes are not designed to promote monopolies or to eliminate or oppress small enterprises", and in each instance I was assured that

it was not the intention that this bill would crush out the small business. If it does, then its objects will have failed of accomplishment. I hope that the President and those given authority will remember that only a generation ago another Roosevelt, mightier yet than Franklin D., shook the very structure of our social and political order by his mighty licks against the trusts which were strangling the business life and ambition of many worthy men and enterprises in our land. From his efforts came the antitrust laws which this present measure seeks to abrogate. Time makes "ancient good uncouth" in some cases, but granting powers to organize for trade advantages should not be done indiscriminately and without regard to the past history of monopolies as they related to freedom of business efforts upon the part of the small business man.

There is one feature of title I that I do not much like, and that is the provision that gives the President the power upon his own motion under some circumstances to prescribe and approve a code of fair competition. It tends too strongly to dictatorship. The other sections of title I provide for a contractual basis between the interested parties before the President acts in an attempt to better the conditions of the interested industry and the interested employees. Executive force may easily become tyranny.

We cannot refuse to legislate simply because somebody might abuse his discretion. I have no fear that anyone will raise himself up as an industrial czar in this country and compel labor to perform or compel the employer, on the other hand, to do that which he does not within his rights wish to do. Cutthroat methods in industry and dissatisfied conditions among the unemployed conspired to deepen and intensify the depression. For instance, take the coal industry in my State. It lies prostrate today and has been prostrate for years. We have given it all sorts of stimuli, we have tried in every way—economically, commercially, and legally—to stimulate it; but in spite of all we can do, it fails to respond. There are millions upon millions of dollars invested in the coal industry in Ohio that today is idle, and there are thousands of the finest workmen in the world located in my district and other sections of Ohio who are out of employment today. If this will stabilize the coal industry, then I shall have been justified in having voted for it. Time will not permit me to discuss this part of the bill further, except to say that I have not favored inflation, for I maintain that inflation is artificial, and that like all things artificial it lacks permanence. A restoration of industry, with the accompanying restoration of labor, will furnish a buying power, which is the first step toward economic recovery.

THE PUBLIC WORKS BILL

During the depression most lines of endeavor have shown a dearth or a shortage. But this depression has surely brought forth a plenteous crop of economists. While there has been a great and varied crop of causes and cures for the depression, there has been quite a unanimity of opinion among economists to the effect that probably the best way to break the vicious circle that held business back would be for a forced campaign of employment of men and women. Many economists advocate that a program of public works carried on on a big scale would accomplish the desired result.

Some claim that a program of less than $10,000,000,000 would not accomplish it. Others claim that $3,000,000,000 will do it. It is in the hope that this remedy will have the desired result that I give this part of this bill my support. If it fails, it will not be a total failure, for money thus paid out will go largely for labor and will relieve the charitable organizations of the country by that amount. I do not attempt to justify the passage of the bill upon that ground but rather to lessen the sting of this failure if failure it must be.

Under this bill the President will appoint an administrator who will have greater powers over public works than any other man in the history of our country. His duties are well defined although very far-reaching. All public works heretofore provided to be done by the Reconstruction Finance Corporation shall be done under the provisions of this bill when it becomes effective. This bill can reach public highways and many other activities which could not be reached by the Reconstruction Finance Corporation, such as flood control, sewer construction, and so forth. The Government advances the money upon a 30 and 70 percent basis. The Government advances 30 percent as a gift or grant, while the public agency, State, municipal, or county must arrange to repay the other 70 percent. The amount to be appropriated is $3,300,000,000. The Reconstruction Finance Corporation has been authorized to expend $1,200,000,000, for this class of work which it has not expended. This amount will not be expended, for the authority of the Reconstruction Finance Corporation will, as I have already stated, be superseded by the provisions of this bill. I have maintained that it will not be necessary to spend the whole of this enormous sum of $3,300,000,000. If I have my way about this matter, I should have reduced this amount to about one half. It is almost impossible to appreciate how much a billion dollars really is. If I were to take one-dollar bills and lay them end to end, 1,000,000,000 of them would extend around the world four times.

This brings me to a consideration of the third, and to some the most important, branch of this bill. When the Government spends money somebody pays the bill. In this case many different plans were suggested. I cannot bring myself to agree that the plan provided in this bill is the best plan that could be adopted. If the total amount had been reduced, the amount needed to be collected would be reduced in the same proportion. That is the first change I should have suggested. I am opposed to the taxation of the dividends of corporations. The corporation profits are already taxed 13¾ percent. An additional tax on the dividends after distribution would be a clear case of double taxation. It tends to stifle investment in corporation activities, and most of the manufacturing business of the country is done by corporations. Likewise it is questionable whether the Government should increase the gasoline tax. The fact that $400,000,000 of this appropriation is set apart for roads is some justification for this tax. The increase of the normal tax should have been carried on to the big incomes in a fairer proportion. Under this bill a man with a $6,000 income finds his taxes increased 50 percent, while a man with a $100,000 income finds his tax increased only 6½ percent. A tax that would reach such transactions as those disclosed this week in the Senate investigations should have been substituted for the increase provided in this bill. Some step must be taken toward an income tax on gross income in the cases of large incomes at least. If this bill rehabilitates industry and relieves unemployment, the burden of the additional taxes will be lightened greatly. If the bill fails, then any tax contribution made by those who can afford to make it will be their contribution to the relief of those less favorably situated.

There are many features of this bill that are not to my entire liking. There are some changes I would make in it, but all legislation is the result of compromise; give and take is an almost necessary rule in order to procure fair legislation.

It will be necessary to employ thousands of men and women to carry out the various provisions of this bill. I think the President is asking for too much authority when he asks the privilege to make these appointments without Civil Service requirements. If he abuses this privilege, it will be only for the purpose of placing those of his own political persuasion in office. I hope he will not mix politics with human misery. I am lending my support to the measure from the purest motives and with the hope that we can again bring happiness to millions who are now distressed. There is no torture so severe to the industrious man as to be denied the opportunity to work. There is no condition so humiliating to the erstwhile successful and skillful artisan as to be compelled to accept charity. There is nothing so devastating to health and happiness as worry, and there is no human instinct quite so strong and so uncontrollable as the determination to project one's offspring from the

pangs of hunger. Property interests appeal to the intellect. Human interests appeal to the heart. [Applause.]

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

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Georgia [Mr. Cox].

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. Cox].

The CHAIRMAN. The gentleman from Georgia is recognized for 35 minutes.

Mr. COX. Mr. Chairman, I am fully aware of the fact that in opposing this legislation I hazard the loss of the confidence of many whose good opinion and whose sympathy I want and need; but my duty is so clear and unmistakable that there is but one thing left for me to do and that is to meet my responsibility as I understand it and to the extent of my ability discharge it.

To me this is a serious hour, solemn and serious, because of the magnitude of the question at issue. My colleagues, we are about to do that which will probably mark the turning point in the political life of this Nation. Indeed, we are about to do that which may mark the end of representative government in America. I know that few of my brethren here are going to vote with me in the position that I shall take upon this bill, and yet I know that deep down in their hearts there are a few of them who will not approve of all I have to say. But one thing makes possible and tolerable the adoption of this measure and that is the unbounded confidence that the people have in the Chief Executive, in which I share, who is made the master, not only of the property of the people, but of their lives as well. There are a thousand reasons why this bill should not become law with title I carried in it, and I invoke the judgment, the conscience, and the intelligence of the individual Membership of this House upon this proposition. As for myself, I shall undertake in my feeble way to deal with but a few of these objections, those of a constitutional nature, having to do with title I of the bill.

The advocates of the measure have offered an analysis of the different provisions and have attempted to explain them. Before entering upon a discussion of the legal questions involved, I invite you to bear with me while we together reason about the provisions of title I. But before I proceed in my endeavor to analyze this title of the bill, let me say to the Members of this House that if you did not hear the speech of the great lawyer from Pennsylvania [Mr. BECK], who addressed this body on yesterday, see the RECORD and read what he had to say, and in the reading get a mental bath in this fountain of pure logic and reason. The gentleman is probably the best friend that the Constitution has in the entire country today, and I hope that you will read what he had to say in order that in this hour of turmoil and great disturbance you may regain your mental equilibrium.

Let us now consider title I of the bill.

Section 1 of title I begins by declaring that a national emergency productive of wide-spread unemployment and disorganization of industry exists, which burdens interstate commerce, affects the public welfare, and undermines the standard of living of the American people. The bill then declares it to be the policy of Congress to remove obstructions to the free flow of interstate commerce which tends to diminish the amount thereof and to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanction and supervision and to eliminate unfair competitive practices, to reduce and relieve unemployment, to improve standards of labor and otherwise to rehabilitate industry, and to conserve natural resources.

To effectuate the policy thus laid down the President, in section 2 (a) of the bill, is authorized to establish such agencies as he may find necessary, to prescribe their authorities, duties, responsibilities, and tenure.

In paragraph (b) of section 2 the President is authorized to delegate any of the functions and powers vested in him under title I to such officers, agents, and employees as he may designate or appoint, and he is authorized to establish an industrial planning and research agency to aid in carrying out his functions under this title of the bill. All this involves the delegation of legislative power, which I will refer to later on.

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

Mr. COX. Will not the gentleman be good enough to withhold his question until a little later?

Section 3 deals with the question of establishing codes of fair competition. In paragraph (a) of this section one or more trade or industrial associations or groups may apply to the President for leave to set up trade agreements, and the President may approve these agreements, which are designated as code or codes, for fair competition for the trade or industry or subdivision thereof represented by the applicant or applicants, and these codes become binding upon every person, association, or group engaged in the line of industry represented by the applicant or applicants.

Paragraph (b) of section 2 reads as follows:

> After the President shall have approved any such code, the provisions of such code shall be the standards of fair competition for such trade or industry or subdivision thereof. Any violation of such standards in any transaction in or affecting interstate commerce shall be deemed an unfair method of competition in commerce within the meaning of the Federal Trade Commission Act, as amended. A violation of any provision of any such code shall be a misdemeanor, and upon conviction thereof an offender shall be fined not more than $500 for each offense.

What does this mean? This means that any operator, fairly representative of an industry, may come to the President with what he represents is a fair code of competition, and may obtain the sanction and approval of the President, and upon the application of that one manufacturer, or whatever his business may be, he may set up a code of laws, binding not only upon the operator himself but binding upon every operator in that particular line of industry in America.

Mr. SAMUEL B. HILL. Will the gentleman yield?

Mr. COX. I yield.

Mr. SAMUEL B. HILL. The gentleman states "upon the application of individual operator." The language of the bill is that "the President may, upon application by one or more trade or industrial associations or groups."

Mr. COX. Yes. I am familiar with that.

Mr. SAMUEL B. HILL (continuing):

> That such associations or groups impose no inequitable restrictions on admission to membership therein and are truly representative of such trades or industries or subdivisions thereof.

Mr. COX. I stated that any operator or any trade association claiming to be representative of a certain industry may, upon his application alone, establish a code having the effect of law, that is binding upon every operator in that particular line of industry in this country.

Mr. BOLAND. Will the gentleman yield to me now?

Mr. COX. I yield to the gentleman.

Mr. BOLAND. In title I of the bill, to which the gentleman has objected, it states:

> That to reduce and relieve unemployment, to improve standards of labor—

Does the gentleman mean to say that the standards of labor should not be improved?

Mr. COX. Of course not. I am acquainted with the gentleman's sympathy and interest in labor. This has been made manifest many times to my own knowledge, and I have invariably agreed with him. Let me say to him that there is nothing in title I of this bill but despair for the group in which the gentleman manifests a special interest.

Mr. BOLAND. Is the gentleman aware of the fact that in Pennsylvania at this time we have a sweatshop investigation, and that the sweatshops all over the State of Pennsylvania are causing girls and young women to work for 60 and 90 hours a week for $3 a week?

Mr. COX. Oh, the courts have held time and time again that it is not within the competency of Congress to deal with a situation of the character stated by the gentleman. That is purely a matter for the determination of the State of Pennsylvania.

Mr. MAY. Will the gentleman yield?

Mr. COX. Yes, I yield.

Mr. MAY. Has the gentleman known or read of any clearer delegation of legislative power to a dictator of industry than is conferred in this bill by these very codes that may be adopted?

Mr. COX. I have not. I am going to discuss that in just a moment.

Mr. TAYLOR of South Carolina. Will the gentleman yield?

Mr. COX. I yield.

Mr. TAYLOR of South Carolina. If this committee is so solicitous about labor as to undertake to regulate its working hours and its scale of pay, can the gentleman advance any reason why the committee would refuse to regulate the machine load of individuals in the industries of this country?

Mr. COX. I cannot.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. COX. I cannot yield further.

Mr. VINSON of Kentucky. Since the committee has been brought into it, I would say that that is included in the working-conditions provision.

Mr. COX. Mr. Chairman, I cannot yield further for a colloquy between others.

Mr. TERRELL. Mr. Chairman, regular order. The gentleman should be allowed to finish his statement.

Mr. COX. Paragraph (c) of section 3 makes it the duty of the several district attorneys of the United States in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain violations of the provisions of a code of fair competition on the part of everyone, whether or not he be a party to the adoption of the code. In other words, a small operator finds himself in a situation where because of the action of a group of large operators he cannot carry on his business in a normal manner, he cannot conduct it according to his own notion and the necessities of his own case, but must submit to a limitation put upon him that comes down from the selfish action of a selfish and monopolistic group.

Paragraph (d) of section 3 reads as follows:

> Upon his own motion, or if complaint is made to the President that abuses inimical to the public interest and contrary to the policy herein declared are prevalent in any trade or industry or subdivision thereof, and if no code of fair competition therefor has heretofore been approved by the President, the President, after such public notice and hearing as he shall specify, may prescribe and approve a code of fair competition for such trade or industry or subdivision thereof, which shall have the same effect as a code of fair competition approved by the President under subsection (a) of this section.

Now, what do we find in the bill? We find that a single operator, a single manufacturer, fairly representative of the particular industry in which he labors, or a particular trade association may come in and initiate the setting-up of a code which has the effect of law and binding upon the country. And we find in the bill that a group of such operators may come together, form a code or what they designate as a code of fair competition, obtain the approval of the President, and it becomes binding upon every person in the country. And we find that the President may of his own accord set up a code of fair competition having the effect of law and make it binding upon every person engaged in any sort of industry in this country.

Now, my colleagues, I submit in the first instance that there is clearly a delegation of legislative power that is carried in the bill.

Mr. DIES. Will the gentleman yield for a short question?

Mr. COX. Yes; briefly.

Mr. DIES. Is it not a fact that under the present law these codes are agreed to by trade groups, with the approval of the Federal Trade Commission?

Mr. COX. Yes.

Mr. DIES. That has been true ever since the Federal Trade Commission Act was passed?

Mr. COX. I will pay my respects to the Federal Trade Commission in its cooperation with industry in the setting-up of trade agreements which have operated to the disadvantage of the producer of raw commodities. The Commission in this respect has aided and supported industry in its violation of the antitrust laws.

Now, as I said, this bill carries a delegation of legislative power. The courts have held that the legislative power is the supreme authority except as limited by the Constitution. It is the power that has the right to direct how the force of the community shall be employed for preserving the community and the members of it. It is that part of the sovereignty of the people which the people have decreed shall be exercised by the legislative branch of the Government and cannot be by this agency delegated to some other.

The power to set up an administrative agency as is proposed in this bill, to define its powers and fix its tenure, is a legislative function and not a ministerial act.

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

Mr. COX. I yield.

Mr. FITZPATRICK. Assuming this bill were declared constitutional by the Supreme Court, would the gentleman then approve it?

Mr. COX. I can make no such violent assumption. Here no rule is laid down by Congress to guide the President. The exercise of the powers delegated is conditioned upon no fact, is consent upon the happening of no event, but is an unconditional grant to be exercised at will and as the President might elect.

I know it will be contended that in cases affecting the Interstate Commerce Commission, the Federal Reserve Board, tariff regulations, and others, that the courts have upheld acts of Congress delegating certain powers claimed to be legislative. But in each and all of these cases Congress laid down general rules for the guidance of the agency, leaving to it merely the carrying out of details and the execution of the powers so conferred, or leaving to the agency the exercise of a discretion within limitations fixed, which Congress could not then exercise. In the instant case there is no discretion that the President may exercise which Congress cannot now exercise. The exercise of discretion is dependent upon the happening of no event. The creation of a code of fair competition having the force of law calls into play the exercise of legislative discretion and is legislation. It is a power that belongs to the people which Congress holds in trust and which Congress cannot give away.

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

Mr. COX. I yield.

Mr. KENNEY. Does not Congress still hold a string on the powers it is supposed to be delegating?

Mr. COX. Congress, of course, might assert its rights, and might tomorrow or the next moment after the adoption of this measure enact a measure repealing it. But suppose the Executive did not agree, and suppose that the majority was not sufficient to override the Executive veto, you would stand stripped of your constitutional powers because of your unconstitutional conduct in the adoption of the pending bill.

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

Mr. COX. I yield.

Mr. REILLY. If in the judgment of the speaker the bill were constitutional, would the gentleman favor its passage?

Mr. COX. I would not favor the bill because I believe title I to be dangerously violative of the Constitution.

Mr. REILLY. Does the gentleman believe a national emergency exists?

Mr. COX. Yes, I do; and I am for any legislation that gives work to the unemployed.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. COX. I yield.

Mr. COOPER of Tennessee. The gentleman is making a very able argument in opposition to the bill and criticizing the plan suggested by the President of the United States for meeting the emergency the gentleman admits exists. I am wondering if the gentleman can offer to the House some plan for meeting this emergency that would be an improvement upon the plan offered by the President of the United States.

Mr. COX. I have no plan. I do not know what can be done, but I do respectfully contend that whatever is done should be done in a constitutional manner. With title I eliminated, the constitutional objections that I am raising would be met and the measure more acceptable.

I regretted to hear gentlemen, members of the great Ways and Means Committee and others, on yesterday contending that the Constitution has outlived its day and that it is not capable of answering the needs of the hour.

In this bill Congress delegates powers which it does not possess—the power to regulate and control the internal affairs of the States, the power to control all industries from the point of production to that of distribution, the power to regulate hours of labor and to fix wages. My colleagues, it is the most gigantic price-fixing scheme ever proposed in the history of any free government.

You undertake to fix minimum wages, when you must known that a minimum wage law is unconstitutional because it is a price-fixing law, directly interfering with freedom of contract, which is a part of the liberty of the citizen guaranteed by the fifth amendment to the Constitution.

The police power cannot be used to fix prices, either of property or of services, in a private business not affected with public interest, and cannot be used to suspend the Constitution.

The citizen has the right to sell his labor the same as he has the right to sell his property, and upon his own terms, and without restraint or prohibition imposed by government.

In the case of Adkins against Childrens Hospital, decided by the Supreme Court in 1923 and reported in 261 United States, page 525, this question was settled, and if you have any doubt about your power to fix minimum wages, then do me the kindness to listen to what the Court had to say in this case upon this particular point; and, mark you, the Court in this case was dealing with legislation enacted by the Congress for the District, and Congress alone legislates for the District, and in this respect occupies the same relationship to the people affected by the legislation as the legislature of a State occupies to the people affected by the laws it may pass.

> The statute now under consideration is attacked upon the ground that it authorizes an unconstitutional interference with the freedom of contract included within the guaranties of the due-process clause of the fifth amendment. That the right to contract about one's affairs is a part of the liberty of the individual protected by this clause, is settled by the decisions of this Court and is no longer open to question. Within this liberty are contracts of employment of labor. In making such contracts, generally speaking, the parties have an equal right to obtain from each other the best terms they can as the result of private bargaining.

And, quoting from the case of Adair against United States, a decision rendered by Mr. Justice Harlan, the Court said:

> The right of a person to sell his labor upon such terms as he deems proper is, in its essence, the same as the right of the purchaser of labor to prescribe the conditions upon which he will accept such labor from the person offering to sell. In all such particulars the employer and the employee have equality of right, and any legislation that disturbs that equality is an arbitrary interference with the liberty of contract which no government can legally justify in a free land.
>
> Included in the right of personal liberty and the right of private property—partaking of the nature of each—is the right to make contracts for the acquisition of property. Chief among such contracts is that of personal employment, by which labor and other services are exchanged for money or other forms of property. If this right be struck down—

Mark what the Court says—

> If this right be struck down or arbitrarily interfered with, there is a substantial impairment of liberty in the long-established constitutional sense. The right is as essential to the laborer as to the capitalist, to the poor as to the rich; for the vast majority of persons have no other honest way to begin to acquire property, save by working for money.
>
> "An interference with this liberty so serious as that now under consideration, and so disturbing of equality of right, must be deemed to be arbitrary unless it be supportable as a reasonable exercise of the public power of the State."

Here Congress is undertaking to exercise power which is claimed to be held under the commerce clause to regulate the internal affairs of the States, which the courts have held time and again is not within the power of Congress.

Mr. CELLER. Will the gentleman yield?

Mr. COX. Yes.

Mr. CELLER. I have been very much interested in the constitutional argument the gentleman is making. Is the gentleman familiar with the most recent decision of the Supreme Court on the interpretation of the Sherman Law in the Appalachian coal case?

Mr. COX. Yes; I have read that case and discussed it on yesterday with the gentleman.

Mr. CELLER. Where they hold that 70 percent of the bituminous-coal miners could unite and make an agreement which would have the effect of even fixing prices. The Court held that this was perfectly permissible under the Sherman Act.

Mr. KELLER. May I ask what year that decision was rendered?

Mr. COX. The case I have referred to is a comparatively recent one, in 1923.

Mr. ARNOLD. Will the gentleman yield?

Mr. COX. I cannot yield any further.

Mr. ARNOLD. I just wanted to know the case the gentleman was quoting from.

Mr. COX. *Adkins* v. *Childrens Hospital* (261 N.S. 545).

The testimony of the witnesses representing industry appearing before the committee very frankly confessed that they wanted this bill because it would authorize competitors to come together and form price-fixing agreements now prohibited by the antitrust laws.

In the case of *Northern Securities Co.* v. *United States* (193 U.S. 337), the Court said:

> Whether the free operation of the normal laws of competition is a wise and wholesome rule for trade and commerce is an economic question which this Court need not consider or determine. Undoubtedly there are those who think that the general business interests and prosperity of the country will be best promoted if the rule of competition is not applied. But there are others who believe that such a rule is more necessary in these days of enormous wealth than it ever was. * * * Congress has in effect recognized the rule of free competition by declaring illegal every combination or conspiracy in restraint of interstate and international commerce. As in the judgment of Congress the public convenience and the general welfare will be best subserved when the natural laws of competition are left undisturbed by those engaged in interstate commerce, and as Congress has embodied that rule in a statute, that must be for all the end of the matter, if this is to remain a Government of laws and not of men.

RICH MAN'S LAW

Mr. Chairman, there has never been a measure brought up in Congress which went further in the destruction of the sovereignty of States than is the case in the pending legislation, and every Member of this body knows this to be true.

Congress has no power of regulation, nor any direct control over the internal or domestic trade of a State. No interference by Congress with the business of the citizen transacted within a State is warranted by the Constitution except such as is strictly incidental to the exercise of powers clearly granted to it. The power to authorize or to license a business within a State is plainly repugnant to the exclusive power of the State over the same subject.

If the Constitution, as the advocates of the measure are contending, is not suitable to the exigencies of the hour, then why not proceed in a constitutional manner to make changes and give legality to that which you are now undertaking to do?

I know it is said that industry is for the pending bill. Of course, industry is for the law. This panic that has held this country in its grip for 10 years came upon us in 1923. The people who live close to the soil—the farmer who tills the land, the small business man, the small operator—all felt the pinch of want in 1923. Hard times continued and began to climb up, and now when it has reached the point where the industrialist—that part of business that represents money—feels it taking hold of them, these beneficiaries of special privilege, who have always contended that it is not within the power of Congress to put the Government in business, now come to Congress and appeal to Congress to put the Government in business in copartnership with them, in order that they may be saved or that the dollar may be saved the necessity of making its contribution to this readjustment of things through which we are passing.

They say, boastfully, that the president of the United States Chamber of Commerce is for the bill, that the representatives of steel are for it, that the representatives of the automobile industry are for it, that the representatives of the textile trade have come and pleaded for it. They boastfully say here that industry, as represented by these representatives of privilege, have come to this committee and have pleaded with the committee to adopt this law to save them, to make them secure in the advantage which they hold, to give them assurance of holding on to that which they have acquired as a result of the practices which they have carried on throughout these several years.

They talk about price fixing. Price fixing means high prices. Price fixing means a guaranty of profits to the operator. It means woe and misery to the consumer that has to buy the things that the price fixers make. Pass this law and you will find steel, you will find the textile people and you will find the automobile people, you will find the patent-medicine makers and you will find the jewelry people all coming here for the approval of a so-called "code of fair competition", which is nothing more than combinations in the restraint of trade, and made to give advantage of the consumer and the great unorganized public which should be protected. You set aside the law of competition which is the salvation of the small man. You subsidize industry at the cost of the consumer. You reward the class whose greed has caused this distress. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield myself 15 minutes. I desire unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

Mr. TREADWAY. Mr. Chairman, recently, in making inquiry of a prominent business man as to whether the bill before us, H.R. 5755, will bring about national industrial recovery and establish fair competition, the reply was made, "Try anything." I believe this is a very strong argument for the bill.

During President Hoover's administration many sane and sound proposals emanated from the White House. Even when adopted there were usually conditions tied to them which detracted from their efficiency. The Hoover administration, however laudable its purposes, was unable to stem the tide of depression and restore normalcy.

During the 2½ months just past propositions have been brought forward and written into law which I venture to say no Democrat would have favored if they had been suggested by former President Hoover during his term of office. [Applause.]

Since the new administration came in, every possible form of radical suggestion has been immediately supported by the subservient majority. What the outcome of some of these new laws will be, no one can forsee. We hope for the best. Certainly it is very apparent that the new laws are today popular with the people. Possibly one of the reasons is that the people are like a drowning man, grasping at a straw. So I feel that the advice of the gentleman referred to to "try anything" is quite likely to prove a good mode of procedure under existing conditions. Things are not normal and there is therefore some excuse for using abnormal methods of treatment.

Title I of the measure before us is another venture into untrodden paths. At one time the great cry was to curb monopoly. This bill does just the reverse. Its purpose is to foster closer cooperation within industries under a system of codes and licenses heretofore unknown.

So far as the evidence submitted to the Ways and Means Committee is concerned, an excellent case was made out. The hearing was one of the most complete from the standpoint of the presentation of the subject matter within my experience, and there was perfect unanimity among the witnesses as to the need for the proposed legislation.

It was supported by representatives of both capital and labor. We have the evidence of a distinguished Senator who has studied industrial and social problems for many years and who has been responsible for much legislation along the lines of this bill. We have the evidence of one of the authors of the bill, a gentleman who has long been a student of labor problems, and of the president of the American Federation of Labor, the outstanding organization of the working classes of the United States. We have the evidence of the president of the Chamber of Commerce of the United States, an organization representative of the industrial and commercial interests of the country. And finally, we have the evidence of the Director of the Budget, which, we assume, means the administration itself. Certainly, with such a group of men thus favorable to the underlying principles of the bill, the average layman, even though himself a Member of Congress, would hesitate to withhold approval of the measure.

I admit natural prejudice against legislation of this type, but I want to defend my colleagues on the Ways and Means Committee who may feel as I do about this measure. The time to show opposition is when a bill is in the making. The intention to present such a measure, although it was not actually before us, was well known throughout the country some time in advance of its introduction. There was ample opportunity to get these expressions of opposition, if they existed, before the Ways and Means Committee; but absolutely none was presented.

In advocating the bill, President Green, of the American Federation of Labor, said:

> This proposed legislation marks a very definite step forward in industrial stabilization, rationalization, and economic planning. The bill is appropriately termed an industrial-recovery measure. It is, in the judgment of labor, the most outstanding, advanced, and forward-looking legislation designed to promote economic recovery that has thus far been proposed. In the opinion of labor, it will, when passed and applied, prove to be a real, practical, constructive remedy for unemployment.

President Harriman, of the United States Chamber of Commerce, spoke particularly of the need for the regulation of competition in industries, calling attention to the adverse effect of unrestrained competition upon labor. He said:

> I believe the time has come when we must take out of competition the brutality of competition. We must take out of competition the right to cut wages to a point which will not give an American standard of living, and we must recognize that capital is entitled to a fair and reasonable return, and that, therefore, goods must be sold at a price which will enable the manufacturer to pay a fair price for his raw material, to pay fair wages to his men, and to pay a fair dividend on his investment.

Title II of the bill covers the subject matter in which we as representatives of the people should have a broad interest. It is called the public-works and construction-projects section, and creates one of the most powerful officials that this Government has ever set up, not only authorizing the use of Federal officers and employees indiscriminately, but likewise State and local officers and employees, all exclusive of Civil Service and the Classification Act. It substitutes for former methods of Government construction of public works the policies of this all-powerful Presidential appointee. Again, it well may be said, "Try anything."

Mr. Green, of the American Federation of Labor, made what seemed to me the most constructive suggestion of an amendment submitted by any witness when he advocated a

change in the language of section 203. He urged that grants of Federal aid to States, municipalities, or other political subdivisions be not limited to 30 percent of the cost of labor and materials employed in such projects. He saw in this limitation the possibility of further draining small communities by people looking for employment under the bill in large centers of population, and suggested that there should be a public-works project carried on simultaneously in every community so that idle men could find work in their own home towns. Mention was made of the fact that since the money to pay for this building project must come from all the taxpayers of the Nation, all taxpayers should have some of the benefits. It seems to me that where there are emergency public works which are carried on for the purpose of giving employment, exactly as much benefit would accrue in small communities and to families by bringing work to the people rather than the people to the work. The Director of the Budget opposed Mr. Green's proposal on the ground that inasmuch as the grant of even 30 percent was an innovation in governmental policy it would be better to retain the limitation.

To place in the hands of any one man or group of men over $3,000,000,000 of public money is incomprehensible. I want particularly to call attention to the President's message to Congress wherein he said a careful survey had been made. He said:

> A careful survey convinces me that approximately $3,300,000,000 can be invested in useful and necessary public construction, and at the same time put the largest possible number of people to work.

If such a survey is in existence, Congress should have the benefit of it. Out of $3,300,000,000, the only amount specifically designated for any one purpose is $400,000,000 for roads. Why should not all the money be allocated to particular items and described in the bill?

The opportunity to spend nearly $3,000,000,000 without knowledge on the part of Congress as to what sums will be spent on the various undertakings, which are outlined in the bill only in general terms—the privilege of devoting almost the entire amount to any one of the projects mentioned, even though the right be not exercised, is a power that should not be given any man or group of men.

The only part of this bill which was left to the Ways and Means Committee to write itself was section 208, the tax provision; and, in the language of the street, the committee did a bum job. It is the most unreasonable tax provision that I have ever seen, and I am proud to say that not a Republican member of the committee voted for it.

While four separate plans were submitted to the committee by the Director of the Budget, he declined to recommend any one of them as being favored by the administration. He did state that at a later time he would be very glad to make a "very specific" recommendation. What that recommendation is I have not been able to find out.

Although the President prepared and sent to the Congress all the other portions of the bill, he failed to make any provision for raising the necessary revenue to carry out the purposes of the bill. I do not wonder that the tax provisions of the bill were left blank, however, and that he has "passed the buck", so to speak, to us. The imposition of taxes at any time is unpopular with the people, and at this time this is especially true. If the President had suggested a tax program, he would have had to assume the responsibility for it. He, and not the Congress, would be the object of popular disfavor for imposing additional tax burdens upon the people. Now it will be very easy for him to avoid any responsibility by saying, when he signs the bill, that if he had written the tax provisions the levies would have been of an entirely different character.

Since the President sent to the Congress a ready-made bill to be rubber-stamped by his subservient majority, he should have completed the job and included the necessary tax program. He cannot escape his responsibility by saying that tax bills must originate in the House of Representatives. We could have voted his tax recommendations up or down, just as we can do his other recommendations.

The bill increases the normal income-tax rate from 4 to 6 percent on the first $4,000 of taxable income, and from 8 to 10 percent on the remainder.

Now, not a Republican member of the committee voted for it. [Applause.]

Mr. DOUGHTON. Will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. DOUGHTON. The gentleman says that not one Republican member of the committee voted for it. In the report it is stated that the minority was unanimously opposed to the plan submitted. Will the gentleman inform the Committee what tax plan the minority did unanimously favor?

Mr. TREADWAY. I am coming to that directly.

Mr. DOUGHTON. I wish the gentleman would answer my question.

Mr. TREADWAY. I will answer it. I will say that the minority is not responsible for this bill's being on the floor today. It was the duty of the majority to write the kind of a bill they saw fit.

Mr. DOUGHTON. Did the minority agree among themselves on any definite plan?

Mr. TREADWAY. We did not try; we had no occasion to do it. It was your job to write it.

The present rates are the same as those imposed in the years immediately following the war, and the proposed rates are practically the same as those imposed in 1918, when the rate was 6 percent on the first $4,000 and 12 percent on the balance. To impose any higher rates than those now carried in existing law would impose an undue hardship upon the average citizen, who is already paying a much higher income tax than has previously been imposed in peace times.

When it is proposed to increase by 50 percent the tax on incomes of people receiving from three to six thousand dollars, and only increase incomes of $500,000 by 3.8 percent, the gravest injustice is done to the breadwinners with small salaries. The same percentages apply for both married persons and single persons. I will offer for the RECORD, for insertion at the conclusion of my remarks, a table showing the percentage of increase in various income brackets up to $1,000,000.

Now, the payment of money is popular. You can get popularity if you are a spendthrift, but when you come to the taxpayer and tell him that he must pay that spendthrift bill you are going to be mighty unpopular. The administration took the popular end of the game and let the Congress have the unpopular end. The President cannot avoid any final responsibility, he must take the measure that Congress may pass.

Mr. EVANS. Will the gentleman state what justification there was for the small increase in the higher brackets?

Mr. TREADWAY. The schedule I will print is a decreasing one. At $3,000 and from $3,000 to $6,000 income, the increase is exactly 50 percent. At $7,000 it is 42.1 percent, and so on. As your income increases your taxes decrease.

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

Mr. TREADWAY. Briefly.

Mr. KNUTSON. What increase did the majority make in incomes of a million dollars or more?

Mr. TREADWAY. About 3.5 percent.

Mr. SAMUEL B. HILL. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. SAMUEL B. HILL. If you leave out of consideration the surtaxes, would the percentage of increase be the same?

Mr. TREADWAY. Yes.

Mr. SAMUEL B. HILL. There is no increase of surtaxes in this bill?

Mr. TREADWAY. No; but you do worse, you tax dividends.

The proposal to tax at the normal rates dividends received from corporations is a radical departure from previous income tax laws. Not even during the war days was such a levy imposed. The reason for exempting dividends from the normal tax is, of course, that they are

already subject to a normal tax which is paid by the corporation, the present rate of which is 13¾ percent. On top of this tax, the recipient of the dividend must include the income received from this source with other income for the purpose of the surtax, the rates of which reach a maximum of 55 percent under the present law. To add another 6 or 10 percent would be a clear case of double taxation of the same income. The 10 percent rate, when added to the 13¾ percent corporation rate and the maximum surtax rate of 55 percent, makes a total of 78¾ percent. The making of dividends subject to the normal tax, in effect, adds 6 to 10 percent to the present corporation levy of 13¾ percent. It should be borne in mind that the corporation tax is subtracted from the corporate earnings available for dividends, and the result is that the incidence of the tax is on the recipient. Therefore, the imposition of this new levy does not constitute the placing of a tax where none was imposed before, but simply adds another burden on owners of stock, a great many of whom are persons of ordinary means and widows with moderate incomes.

The increased gasoline tax is objectionable for several reasons. In the first place, the States have already preempted the field of gasoline taxes, some having levies as high as 7 cents a gallon. The Federal Government, when it levied the present 1-cent tax, encroached upon this form of taxation as an emergency measure, and to levy any additional Federal tax will only result in driving the States out of this field. It is well known that the gasoline tax is passed on to the consumers, a large part of whom are farmers. Automobile owners are already the most heavily taxed class of persons in the country.

It seems to me that instead of piling more and more taxes on those who have been bearing the brunt of Federal taxation, we should spread the burden out over a larger group of the population, especially the taxes imposed for the purpose of carrying out the purposes of this bill. In the present emergency, everybody should contribute since it is expected that everybody will be benefited by the bill.

The one call today is for a form of tax certain to produce results. The taxes that have been selected can to a degree be made nonproductive by being made excessive. A wave of justice is spreading over the country. In all sections of the land there is a call for a fair and equitable tax levied against the people in accordance with their spending ability. Exempting food, clothing, and medicine from a sales tax avoids the accusation that you are taxing the poor more than the rich.

The more I have studied the sales tax the surer I have become of its merits. A tax of 1.8 percent with exemptions as stated will furnish the revenue necessary to finance this bill. I hope to see some sanity shown at the other end of the Capitol and anticipate that when the measure is taken up in the Senate a sales tax will be substituted for the inequalities of section 208 as written by the Ways and Means Committee.

I think a motion to recommit to that end would have an excellent chance of adoption here today. I am doubtful whether a motion for a higher rate of sales tax in order to remove certain existing excise taxes which are extended for a year by this bill would be approved.

I dislike extremely to vote for the bill with the tax provisions which the Ways and Means Committee agreed to, but as yet I see no other course. I would gladly vote for the bill with the sales-tax provision such as I have described.

I should like to now address myself to a feature of the bill to which little attention has been given. Its general purpose, of course, is to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry. The whole cost and price structure of the country is to be raised. However, the bill makes no provision for preserving this price and cost structure from the ravages of foreign competition. No compensatory duties are proposed to offset this increased domestic cost. The question may well be asked, How are we going to maintain our increased wage level and higher price level if we are going to permit cheap foreign goods which are not subject to this burden of higher taxes, higher wages, and shorter hours of employment to be dumped upon our markets in competition with our own goods? The disparity between foreign and domestic costs is already very marked and has been aggravated by the depreciated currency situation. If this bill serves its purpose, as we all hope it will, this disparity of costs will be even greater. How long can our domestic producers and workers compete with cheap foreign labor which is beyond our control? Unless something is done to offset low foreign costs, our own prices and wages will have to be reduced to the standard of competing countries if domestic producers and workers are to be able to sell their products in the home market. It seems to me that this is a matter which should have serious consideration by the administration, since the absence of compensatory duties to offset increased domestic costs may easily destroy the whole purpose of the bill.

In connection with the issuance of the $3,300,000,000 of bonds provided for in the bill, there is a matter to which I wish to call the attention of the House. These bonds will be made free of Federal taxes, as have other bonds issued during the current session and in prior years. The total amount of tax-free securities outstanding at the present time is tremendous, aggregating some $40,000,000,000. Such securities provide a means of tax evasion for the ultra rich, and for them only, since governmental securities, whether Federal, State, or local, seldom fall into the hands of the small investor.

Tax exemption of Government bonds results in two different ways. In the first place, the Constitution impliedly prohibits the taxation by the State of any Federal instrumentality, and conversely, the taxation by the Federal Government of any State instrumentality. This kind of tax exemption cannot be done away with except by amendment of the Constitution. In the second place, both the States and the Federal Government usually exempt their respective bonds from their own taxes. This is done to procure lower interest rates and to place Federal and State bonds upon an equal competitive footing with bonds that are necessarily tax exempt. At the present time, however, there appears to be no good reason for continuing this second class of tax exemption. Federal bonds, even though they be made subject to Federal tax, would be quickly grasped by investors, due not only to the fact that State and municipal governments have practically exhausted their credit but also to the further fact that the market for industrial bonds is very negligible.

In the Revenue Act of 1932 we increased the normal and surtax rates to almost war-time levels, and in the pending bill the normal tax is still further increased. Investment in tax-free securities provides an easy means of avoiding income taxes, and the amount of taxes saved more than compensates an investor for the lower rate of interest paid on such bonds. It seems to me that at a time like this, when we are seeking more and more taxes, we should not pass up the opportunity to tax the interest paid to holders of the bonds which we propose to issue. How can the Congress justify itself in imposing heavy tax burdens upon the average citizen and in the same bill providing a means whereby the wealthy can absolutely escape Federal taxation?

Already this session we have passed bills authorizing immense bond issues with the usual clause exempting such bonds from Federal taxes. For example, the Wagner relief bill provided for $500,000,000 of new bonds, the farm mortgage bill for $2,000,000,000 more, the home mortgage bill for another $2,000,000,000, and we are adding $3,300,000,000 by the pending bill. We have an opportunity now to stop this practice of tax exemption without in the least impairing the salability of these bonds. We should not hesitate to seize it. If this $40,000,000,000 of tax-free wealth which we have in this country could be compelled to pay its fair share of the tax burden, the Budget could easily be balanced and the additional taxes carried by this bill eliminated, not to mention many of the existing levies.

I will close my remarks about as I commenced. A balloon has been sent up which may or may not aid industry and return people to work. We have tried various expediencies without success. Here is a new lotion. Try it. Try anything. [Applause.]

Income tax—Comparison of income tax payable under present law and under industrial recovery bill

[All income from salary]

Net income	Married person, no dependents			Single person		
	Law	Bill	Percent increase	Law	Bill	Percent increase
$1,000	0	0	0.0	0	0	0.0
$2,000	0	0	0.0	$40	$60	50.0
$3,000	$20	$30	50.0	80	120	50.0
$4,000	60	90	50.0	120	180	50.0
$5,000	100	150	50.0	160	240	50.0
$6,000	140	210	50.0	240	340	41.7
$7,000	210	300	42.1	330	450	36.3
$10,000	480	630	31.2	600	780	30.0
$14,000	900	1,130	25.5	1,020	1,280	25.5
$20,000	1,680	2,030	20.8	1,800	2,180	21.1
$30,000	3,480	4,030	15.8	3,600	4,180	16.1
$40,000	5,800	6,550	12.9	5,920	6,700	13.2
$50,000	8,600	9,550	11.0	8,720	9,700	11.2
$70,000	15,700	17,050	8.6	15,820	17,200	8.7
$100,000	30,100	32,050	6.5	30,220	32,200	6.5
$200,000	86,600	90,550	4.5	86,720	90,700	4.6
$500,000	263,600	273,550	3.8	263,720	273,700	3.8
$1,000,000	571,100	591,050	3.5	571,220	591,200	3.5

Mr. WEST of Ohio. Mr. Chairman, I yield 10 minutes to the gentleman from Nebraska [Mr. SHALLENBERGER].

Mr. SHALLENBERGER. Mr. Chairman, it was my original intention to register my approval and opinion upon this bill by my vote only. Voting on a measure of this sort I consider the very highest constitutional duty imposed upon a Congress. It may seem strange that it should have been the wonderful speech made by the gentleman from Pennsylvania [Mr. BECK], in opposition to the measure yesterday that impels me today to briefly attempt to voice my reasons for supporting the measure. I have often said that there can be only two good reasons for making a speech. One is to give information and the other is to afford entertainment. The gentleman from Pennsylvania always lives up to the very highest measure of that standard, every time he takes this floor. Every speech he makes fairly bulges and bursts with information upon any subject to which he addresses his great mind, and the beauty and polish of his sentences, his facility of expression, the keenness of his logic, and the matchless manner in which he uses the English language to express his thoughts affords the very highest character of entertainment for all those who are so fortunate as to have the privilege of listening to him. [Applause.] I always listen to him with admiration, and I follow him whenever I can. I wish I could justify my own speech here by the standard which I have raised, but perhaps I can explain my reaction to that great speech of the gentleman from Pennsylvania by telling a little personal incident. During the World War Congress there was on this floor a great battle upon the question of conscription. Our Nation had voted for war. The question before the Congress was the right of the Nation under our Constitution to draft our young men and send them to fight in a foreign war. I opposed that proposition on the floor because I felt it was in opposition to the ideals of the American people and the past history of English-speaking nations.

After I finished my speech Mr. Kahn, of California, who led the fight for conscription, and Frank Reavis, of my own State—and I might say that two abler statesmen never sat in this House during my time—came over to me and said, "SHALLENBERGER, you made quite an argument on your side of the question, and we thought that we would come over here and tell you that we are not going to pay any attention to anything you said." [Laughter.] Or perhaps I could illustrate it in another way to my friend from Pennsylvania [Mr. BECK] by repeating a remark of a Scotch friend of mine, who said to me one day, "SHALLENBERGER, I have heard many a speech that changed my mind, but never one that changed my vote." [Laughter.]

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

Mr. SHALLENBERGER. Yes.

Mr. BECK. First thanking the gentleman very much for the gracious reference made to my speech, which was far more than it deserved, let me ask this question: Is it not a fact that the lawyer and graduate of West Point who drew the conscription law against which the gentleman voted is to be the economic dictator under this bill?

Mr. SHALLENBERGER. I do not entirely agree with the statement that he drafted that law. I think General Crowder and other distinguished men had something to do with drafting of that bill.

I want to address myself to the constitutional side of this question, although I am not a lawyer. I know it is the constitutional problems that bother lawyers like the gentleman from Pennsylvania or the great lawyer from Georgia [Mr. Cox]. I remember 32 years ago, when I came to this Congress, and the gentleman from North Carolina [Mr. POU] and Claude Kitchin were with me in that Fifty-seventh Congress. Mr. POU and I are the only two men that are in this House that were here then, and I understand there is no one in the body at the other end of the Capitol who was here at that time.

The first time I met Mr. Kitchen to have any conversation with him was over in the little library office here on this floor. I had introduced a bill at that time seeking to control monopoly, to regulate trusts, and in that bill I had written a provision requiring a Federal license before corporations could engage in interstate commerce. I am interested to see that a provision of that kind is in the bill that we are considering today. Mr. Kitchin and Asher Hinds were there in this library room. Mr. Hinds was the greatest parliamentarian ever in this body. He was the parliamentary clerk to Thomas Brackett Reed, one of the great Speakers of this House. We entered into conversation about this matter, and Mr. Kitchin, who was one of the greatest constitutional lawyers and the keenest debater I ever knew, contended with me that the provision to which I have just referred was unconstitutional.

After he had finished I said to him:

> Mr. Kitchin, I am not a lawyer, but I do not interpret the purpose of the Constitution as you do. You are construing it by the strict letter of the written page, but I read it in the light of the spirit of the English-speaking peoples. I do not think our forefathers framed that Constitution to bind us down. I think they wrote it to set us free. I believe we can do anything under the Constitution necessary for the safety of the Republic and to promote the welfare and happiness of the American people.

Every power in the Constitution was put there for that purpose. If you cannot find it in the letter of the law, you will find it in the spirit of liberty that runs through it everywhere. Mr. Kitchin said:

> SHALLENBERGER, you are not a Democrat; you are a Republican.

I said:

> I may be a Republican in my liberal interpretation of the Constitution, but on election day, some way or another, I always find a Democratic ticket.

And so my contention is now that conditions confront us that warrant the trust that the Constitution of the United States will permit the use of any power that is essential to maintain the security and prosperity of the people.

That this bill gives war-time powers to the President of the United States, no one will deny. But the justification for this tremendous and unusual grant of power to the Executive is that the Nation is today and now at war with economic ruin, at war with agricultural and industrial bankruptcy, at war with unemployment, with poverty, and suffering. Yes; perhaps waging a war against revolution itself.

Extraordinary Executive power has been granted by Congress many times before. We granted it to Abraham Lincoln, to Woodrow Wilson, and to William McKinley in the hour of war, and we are waging war now.

There is no power granted the President in this bill that is not necessary to meet the present national emergency and defeat the economic enemy already within our gates.

This tremendous grant of power given to the President is to protect the people, not to destroy them; to lift them up, not to cast them down. The President is given a legal sword and shield, not to fight against us but to fight for us. He is given power in this bill, not to chain and enslave us, but to set us free. The people of this Nation trust the President of the United States. They trust President Roosevelt, and they believe in his promises, even though there may be some Congressmen who seem to be lacking in faith in the President and in his pledges and promises to the American people.

Mr. TERRELL. Will the gentleman yield?

Mr. SHALLENBERGER. I yield.

Mr. TERRELL. The gentleman says he thinks the President has the power to do anything for the welfare of the people. How does the gentleman construe the tenth amendment, which says that all powers not specifically delegated to the Congress are reserved to the States and to the people?

Mr. SHALLENBERGER. Well, I do not consider the Constitution in that way. I will say that the English people were the first who had a constitution, of which ours is practically a written copy. The English constitution is written only in the minds and hearts of the English people, and under that liberal, though unwritten constitution, they have given to the nations and the peoples of the world the greatest system of laws to preserve the rights and liberties of free people everywhere that has ever come from any nation upon earth. The proudest thing that belongs to the Anglo-Saxon people is the fact that under a liberal constitution such as we enjoy we have been able to work out our problems of human rights and of modern civilization. So I believe our Constitution will permit us to do anything that is essential for our people, even as the British constitution has enabled the people of Great Britain to lead the world in all things that stand for the good of humanity and of law and justice among men. [Applause.]

Mr. COX. Will the gentleman yield?

Mr. SHALLENBERGER. I yield.

Mr. COX. In the recommendation that the representatives of industry made to the gentleman's committee, was it indicated that industry wanted this law and order, in order that they might form monopolies?

Mr. SHALLENBERGER. No. I do not think they would admit that.

The CHAIRMAN. The time of the gentleman from Nebraska [Mr. SHALLENBERGER] has expired.

Mr. SHALLENBERGER. I am sorry I cannot answer the gentleman.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Oklahoma [Mr. McCLINTIC].

Mr. McCLINTIC. Mr. Chairman, as a member who has been recently given an assignment on this committee, I want to express my sincere appreciation to the chairman and to the members of the committee for the universal courtesies extended to me during the consideration of this act.

If anyone had told me a few years ago that I would have given support to a measure that would appropriate over $3,000,000,000 to States, municipalities, and certain industries, and in some cases without reimbursement, I would have said that person was crazy. I have always felt it was my duty to try to keep down expenditures as much as possible, but on this occasion I am giving my whole-hearted support to this measure. I feel that the emergency conditions which exist throughout the Nation are such as no citizen has ever experienced before. I know that unless we raise prices of commodities there cannot be any such thing as prosperity. I know that unless we furnish labor the means of obtaining employment they cannot have the buying power necessary to raise the prices of commodities. I know that those problems dovetail one with the other, and that it is absolutely necessary to do something to start the wheels of commerce moving once more.

Some have raised the question of constitutionality. I have always believed that the Constitution was written for the people. I have noticed in the past in some instances where the Supreme Court has held that a bill was unconstitutional; later the same Court has looked upon the question from the standpoint of expediency perhaps, or the standpoint of necessity, or the standpoint of what the people should have, and have changed their opinion. I refer specifically to the income tax law. So members of the Supreme Court will take into consideration existing conditions throughout the Nation. They realize that the welfare of this country depends upon the people being happy, and to be happy they must be employed, and there is not any other way of getting around it.

It is true there are some provisions in this bill that I am utterly opposed to.

I could not conscientiously support a measure to further increase the tax on gasoline. The oil industry is the second largest industry in the Nation. It has an investment that represents more than $12,000,000,000. It should be reserved to the States rather than to the Federal authority to place an additional burden on such an industry. In some States gasoline, a byproduct, is taxed at 7 cents per gallon. Some refiners today are wholesaling the product at 1½ cents per gallon. I do not know of any industry in the country or in the world that is taxed in the same proportion as the byproducts of oil. Yet we are faced with an emergency that is more important than the question of taxing any particular commodity; and, this being true, I am willing to surrender my own views, hoping that in some way we can regulate this industry in a way that will not cause its complete emasculation.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. McCLINTIC. The States during the past year have collected over $500,000,000 from a tax on gasoline; and, inasmuch as it all cannot be passed to the consumer, the condition of the oil producers and more especially independents has reached a crisis. Those engaged in the oil industry in 1929 made a profit of over $400,000,000. According to the figures presented me, unless conditions should improve, these companies will face a loss of over $50,000,000 this year. I feel sure that the time is not far distant when a new policy will be put into effect concerning this subject and that Federal taxes on gasoline now imposed will be rescinded, thus leaving this entire field to the State, as during stringent periods when individuals are not able to pay taxes on their real estate many of the States are compelled to use a tax on commodities in order to defray their running expenses. I am advised that this situation now exists in a number of the States, and we are all hoping that this bill will bring about a restoration of confidence and a utilization of idle labor to the extent that conditions will be better in the future.

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

Mr. McCLINTIC. I yield for a short question.

Mr. WILCOX. Some days ago Congress passed as part of the farm relief bill a measure empowering the President to inflate the currency. Did the Ways and Means Committee, in considering methods and means of financing this public-works program, consider the matter of requesting the President to exercise this power to inflate the currency rather than to issue $3,300,000,000 additional bonds to be paid for and retired by these onerous and burdensome taxes to which the gentleman referred?

Mr. McCLINTIC. I may say to the gentleman that nearly every kind of a proposition one could think of was presented to this committee. An important fact we must take into consideration is that the items that are necessary to raise revenue must be fixed and certain. Unless they are fixed and certain it has a material bearing not only on the bonds that will have to be sold but on the outstanding bonds of the United States, and that means the credit of this Nation.

Further, may I say that while criticism of those in authority may be heard for bringing in a rule—you may call it a gag rule—the Members of the House must understand that every sentence in this legislation was carefully studied, analyzed, put under a microscope, if you please, for the purpose of finding out its true relation to existing law, and if this bill had been brought in wide open, in my opinion there would have been added amendments that would have made it easy for some court to declare the legislation unconstitutional.

So, in the interest of the people, in the interest of conditions, with the hope that normalcy could be restored, we are proceeding in the best manner that we know how.

I regret exceedingly that the limited time allotted to me will not permit the kind of discussion that I should like to make on this subject. Therefore in closing I will say, let us all put our shoulders to the wheel, let us uphold the hands of our great President, let us appreciate the enormity of the program that he is now sponsoring, and, above all, let us as quickly as possible as Members of Congress do everything in our power to aid the distressed and downtrodden to the extent that once more we may have a happy, smiling citizenship as in the days gone by.

Mr. Chairman, I yield back the balance of my time.

Mr. COX. Mr. Chairman, will the gentleman yield for a question before he yields the floor?

Mr. McCLINTIC. I prefer to yield back the balance of my time.

Mr. BACHARACH. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. CROWTHER].

Mr. CROWTHER. Mr. Chairman, the gentleman from Oklahoma just said that this bill and its various features had been subjected to the microscope. I rather think that we used a telescope to get a little distance and vision as to what may happen rather than to analyze it under a microscope.

However, in the first place I wish to call attention to the statement made yesterday by the distinguished gentleman, the leader of the majority, a statement that I say was most unfair. I think everybody will realize it who stops to consider the attitude of the Republicans in the House during this session. Mr. BYRNS said:

> Mr. Speaker, I want to ask the very kind attention of the House during the few minutes I am privileged to occupy, and I am sure my friends upon the Republican side will understand when I say that my remarks are going to be particularly addressed to my Democratic colleagues [applause], because it is evident that we can expect little support for any Democratic effort to hasten the passage of any measure proposed by the President of the United States in the effort to relieve the distress in this country, from the remarks that have been made.

Now, I think that is certainly a most unfair statement. The gentleman from Tennessee is at all times so eminently fair that I think he must have suffered from a temporary aberration in order to make a statement of this kind. I do not think the Republicans have been obstructionists in any degree in this session. We got a very severe licking last fall and I think we have been taking it in about as good a sporting way as we can be expected to, and we have gone along with and supported the administration in a way that does not warrant a criticism of this kind.

The gentleman from Tennessee said further:

> This is the administration's bill. Do not make any mistake about that. Every line of it has been written and proposed by those representing the administration, except that feature which carries the question of taxes.

Let me say that this question of taxes also came as nearly direct as it could from the administration. The Director of the Budget submitted four plans to us, and on motion of one of the members of the majority side we voted on plan no. 1 and adopted it, because they had 14 votes to our 11.

So there was no further consideration of any other plan than the one presented by the Director of the Budget. I asked one or two members of the committee whom I felt were near the throne and might be in close contact with the President, if we deferred making our recommendation and waited for the President to send a message, had the President any other subject matter under consideration in relation to taxes or had he anything except the four plans that were outlined at that time. I was told the President had no other plan than the subject matter that was laid down in the four plans that were submitted to us.

Personally I supported the motion of the gentleman from Massachusetts [Mr. McCORMACK] for a limited sales tax, plus a raise in the normal rates. Of course, what we hear constantly stressed in connection with this bill is the necessity for emergency legislation. This is an emergency, and I am afraid that the word "emergency" in the days to come is going to plague you about as much as the word "normalcy" did our side of the House a few years ago. There is this difference, however: The emergency is with us and normalcy I do not think ever arrived.

There is no question about the tremendous power that has been granted to the President of the United States in this legislation, but, again, the emergency is cited as making it necessary. If you closely analyze the power that is conferred upon the President in this bill it makes the distinguished dictator, Mussolini, look like an Egyptian mummy. [Laughter.]

Whether a great plan of public works, with a very small percentage of them self-liquidating, is a sound procedure at this time, I am not quite certain, but if one criticises an existing program the least he can do is to make his criticism as constructive as possible and offer something that is better, and in the absence of this I may say that I am ready to go along and support this bill. [Applause.]

There is another proposition involved here and that is the tax problem that we discussed a minute or two ago. Last year we had a subcommittee of the Ways and Means Committee appointed to discuss and consider the problem of double taxation as between the Federal Government and the State and other subdivisions. Now we are going to tax dividends, under this bill, three times—not double taxation but triple taxation. Dividends pay a tax at the source of origin and they are subject to a surtax over $6,000, and now they will be subject to the normal rates of 6 and 10, and therefore we are taxing dividends three times in this bill.

When we discussed the sales tax I asked the Director of the Budget, Mr. Douglas, whether in the computation of the revenue this would bring in they had subtracted the revenue produced under the existing excise taxes on radio, refrigerators, jewelry, and other commodities and he said, "No; we do not intend to lose any revenue. We intend to leave those taxes plus the sales tax." I said that that would be double taxation, because a great many commodities would pay a tax twice. He said, "We cannot afford at this time to lose any revenue", and he added, "Many things, Mr. Congressman, in this country are taxed twice."

Mr. COX. Will the gentleman yield?

Mr. CROWTHER. I yield.

Mr. COX. With respect to the attitude of industry which now professes an interest in labor, would industry have wanted this bill if it had been indicated that the committee expected to write into the law a selective manufacturers' sales tax or would industry have wanted the bill if provision for meeting the cost of the building program were to be made so that the cost would be met by the issuance of currency, which would mean the cheapening of money and, therefore, putting a part of the burden upon industry itself?

Mr. CROWTHER. Let me say to the gentleman from Georgia that industry, as it was represented at the hearing, apparently wanted this bill. I do not think we had anybody there who was against the bill, with possibly a single exception. They were against the methods of taxation, but I do not remember that anybody was against the bill and the United States Chamber of Commerce, the American Federation of Labor, and various groups and individuals were not finicky about the method of taxation, although this did not agree with the former attitude of the American Federation of Labor against a sales tax.

Mr. RAGON. If the gentleman will permit I should like to call his attention also to the endorsement of the bill by the Grange and the American Farm Bureau Federation.

Mr. CROWTHER. Yes; and they did not offer any great objections to the method of taxation. They offered some new methods of taxation, just as we did among ourselves, but they said they would not quarrel with the method of raising the revenue, although, let me say right here, I fail to see the necessity for raising any revenue at this time.

Thirty percent of this money is a gift, as it was described by the Director of the Budget, and, therefore, 70 percent has to be repaid. I know it has been said that you cannot immediately start your amortization unless you have provided for it by what is termed a certain and sure revenue, but it seems to me that if 70 percent is to be repaid—and the bill says, parenthetically, it is to be loaned on reasonably sound security—what is the necessity of levying any taxes at this time; and on the other hand, I think the Democratic Party and its leaders are meeting themselves coming back traveling in circles, so to speak, with respect to their policy of inflation.

I voted against inflation because I do not think it is a sound policy, but you folks made it a sound policy and paved an avenue up to the front door of the White House and you gave the President the privilege of issuing $2,000,000,000 worth of non-interest-bearing currency. The policy of issuing bonds with the necessary provision for raising revenue by taxation to go along with it evidently was anathema to the Members on the Democratic side of the House and I know that the inflationists said that it was wrong and reactionary, but you did not go to the White House to find out if that plan could be applied to this bill. This could have been done very handily and it would have been completely under control. Instead of doing this, you provided for renewing the old game of issuing bonds with the necessity of providing revenue by taxation.

In the committee the necessity was stressed of making this bond issue of over $3,000,000,000 very attractive by making the revenue for amortization very certain and sure.

In my opinion, you missed a very favorable opportunity of trying out your currency-inflation plan.

But let me say further that the problem before the Ways and Means Committee to provide revenue was not the only tax problem. Every one of the 10,000 subdivisions in the country who undertake public-works activity will immediately create a tax problem for themselves. So in addition to our own problems, there will be 10,000 new local problems of taxation to provide for payment of loans. If you Democrats are sincere in your contention that the inflation policy is sane, it seems to me that there should have been some recommendation for its use at this time, and save the necessity of producing revenue where the interest alone will cost $3,000,000 in the next 20 years.

Mr. COX. If the gentleman will yield, the representatives of industry were very frank to state that they wanted the law in order that they might set up commodity agreements which now are under the ban.

Mr. CROWTHER. Oh, let me say that I am in favor of that. If we can do what is sought under the bill, if we can bring capital and labor together in 100 percent agreement, it well deserves the encomiums and praise of all the American people. I am for that a hundred percent, and I believe it would be of great advantage to the social and economic development of the country.

Now, may I suggest in passing that while the purpose of the bill is to raise the "economic level" of this country by controlling and restricting domestic competition, there is no provision for the control or restriction of competing commodities made in foreign countries. Even under existing conditions the foreign nations are finding this a good country to sell in but a poor country to buy in.

With the increase in price levels that is hoped for as a result of the passage of this legislation, it will be a still better country for foreign nations to sell in. Bernard M. Baruch, head of the War Industries Board during the World War, spoke of this weakness in the bill and called attention to it in an address in Washington on May 19. He said:

> Finally this process is certain to raise American costs even further above world costs and to require additional protection against importations. Coupled with the further effect of the farm bill to raise prices, all this struggle suggests inconsistency in domestic policy with any plan to lower tariffs in the World Economic Conference.

"But", he says, "that can be ironed out."

It will not be ironed out; there is no time to iron it out, no opportunity to propose an amendment. If I had an opportunity, I would offer section 8 of the Connery bill, which I insert at this point:

> To insure a purchasing power on the part of the American consumers the Secretary of the Treasury is hereby directed, while this act continues in force and effect, to prohibit the entry of foreign-made goods, which goods are similar or comparable to goods produced in the United States of America, if such foreign-made goods are entered at total landed costs which are less than American cost of production of similar or comparable American-made goods. The Secretary of the Treasury is hereby authorized to make findings of the cost of production, and his decision shall be final.

Now, it is dangerous to make predictions. Somebody said that we ought not to be allowed to quote from the CONGRESSIONAL RECORD after 30 days, because of consequent embarrassment to the Members.

I have been embarrassed about a prediction I made as to the return of prosperity after the passage of the Smoot-Hawley tariff bill. I have been taken to task on several occasions because of a prophecy in the making of which I was absolutely sincere.

But my Democratic friends made just as bad a prediction when they said that the Smoot-Hawley bill would cost the country billions of dollars, when as a matter of fact the prices came down so that they did not pay the cost of production.

There is no question but that the great body politic of the people are behind the President and behind this Congress. I sacrifice just as much of individual fundamentals and faith as does the gentleman from Oklahoma [Mr. McCLINTIC] when I support the Democratic side of this proposition, especially when I have no opportunity to put in what I think would be a saving clause, because industry in this country will say to you and submit evidence to you that their policies and troubles are not all domestic troubles, but that their part time for labor and their necessity of reducing wages is a result of unfair foreign competition and that ought to be given consideration in this bill. [Applause.]

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

Mr. CROWTHER. Under the granted privilege of extension of remarks I present a short description of the provisions of the bill.

H.R. 5755

This bill confers upon the President of the United States greater power than has ever been vested in an executive during our Nation's history. Title I of the bill attempts to complete what labor and capital have tried to accomplish for years with limited success, and that is, a hundred percent cooperation. This means wage agreements, regulation of the hours of labor, honest price and trade agreements, elimination of unfair competitive practices, and an end of cutthroat competition that has driven a multitude of small industries to the wall. During the life of this legislation all agreements, codes, and licenses are to be exempt from the provisions of the antitrust laws of the United States.

Provision is made for the submission of voluntary trade agreements to the President which he may approve if clearly defined policies are made a part of the instrument. The exact language of the bill is:

> That such associations or groups shall impose no inequitable restrictions on admission to membership therein and are truly representative of such trades or industries or subdivisions thereof.

Also—

> That such code or codes are not designed to promote monopolies or to eliminate or oppress small enterprises and will not operate to discriminate against them.

Penalties are provided for violations of code procedure and such violation is termed a misdemeanor and the fine is $500 for each offense.

After public notice and hearing as he may specify, the President may license business enterprises in order to make effective these codes of fair competition or agreements. The President also has the power to revoke any such license or agreement, after due notice and opportunity for a hearing, for violations of the terms or conditions thereof. Penalties are also provided for attempts to carry on a business for which such license is required consisting of 6 months' imprisonment or a $500 fine, or both.

The Federal Trade Commission is to aid the President by making such investigations as may be necessary to enable him to carry out the provisions of this section of the act.

Before any code or agreement or license is approved it must contain the following conditions: It must provide that employees shall have the right to organize and bargain collectively through representatives of their own choosing; that no employee or one seeking employment shall be compelled as a condition of employment to join any organization or to refrain from joining a labor organization of his own choosing; that employers shall comply with the maximum hours of labor, minimum rates of pay, and other working conditions approved or prescribed by the President.

The President is authorized, so far as practicable, to afford every opportunity to employers and employees to establish by mutual agreement standards of maximum hours of labor, minimum rates of pay, and such other working conditions as may be necessary.

When no such mutual agreement has been approved by the President, he may order an investigation of the labor practices, policies, wages, hours of labor, and so forth, and after such hearings as he deems advisable he is authorized to prescribe a limited code of fair competition, fixing the factors as heretofore mentioned.

The bill further provides for a great program of public works. The Administrator under the direction of the President is to prepare a comprehensive program, which is to include construction, repair, and improvement of public highways and parkways, public buildings and publicly owned instrumentalities and facilities, conservation and development of natural resources, control, utilization, and purification of waters, prevention of soil erosion, development of water power, transmission of electrical energy, and construction of river and harbor improvements. Low-cost housing is to be constructed under public regulations and slum clearance projects are to be taken care of. Such naval vessels and aircraft as do not conflict with the London Naval Treaty of 1930 are to be constructed.

The President is authorized to construct, finance, or aid in the construction or financing of any public-works project. He may also upon such terms as he shall prescribe make grants to States, municipalities, or other public bodies for construction, repair, or improvement of such projects, the grant being limited to 30 percent of the cost of labor and materials. Of course a grant is a gift.

Four hundred million dollars of the three billion and three hundred million is set aside for emergency construction of public highways and related projects. I offered an amendment providing that at least 400 million should be specifically provided to finish the Federal building program which would include the post offices at Schenectady and Amsterdam. The amendment was not accepted by the Committee but I am hopeful that these projects will be included in the general public-buildings provision.

No convict labor is to be employed in these projects, and all materials must be produced, mined, or manufactured in the United States.

Thirty hours of labor a week on public works is the limit prescribed, and where they are qualified preference is given to ex-service men with dependents.

The revenue necessary to amortize interest and sinking fund in the $3,300,000,000 bond issue amounts to $220,000,000 annually.

The committee adopted plan no. 1 presented by the Director of the Budget, consisting of a raise in normal income tax from 4 and 8 percent to 6 and 10. Dividends are also to be taxed, their former exemption being repealed. An additional Federal tax of three quarter cents a gallon on gasoline was also adopted. The income-tax raise is expected to yield 46 millions, the dividend tax 83 millions, and the gasoline tax 92 millions, a total of 221 millions.

The minority voted unanimously against this method of raising the revenue and so did one member of the majority. I cannot understand the prejudice against the sales tax. It is the fairest tax in the world, and the American Federation of Labor, through their leader, William Green, agreed to accept it although they have always opposed it.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Kentucky [Mr. VINSON].

Mr. VINSON of Kentucky. Mr. Chairman, I want to refer to a statement the gentleman from New York [Mr. CROWTHER] just made with reference to the use of Treasury notes to meet these expenditures. His statement was that 70 percent of the $3,300,000,000 is to be secured and that thereby there was no necessity to issue bonds. Of course, I know that such expression was used inadvertently. As a matter of fact, the only portion secured is the 70 percent of loans made to municipalities, States, and different political subdivisions. The $400,000,000 that will go to road building, the money that will go into Federal construction, into river and harbor work, flood control, and scores of other activities to put the unemployed to work will not come within the 70-percent feature. Only the 70 percent of loans made to States or their subdivisions are secured.

The gentleman from New York [Mr. CROWTHER], who is a very capable Member of this Congress, knows that I have favored currency-expansion legislation. There are two reasons why I do not want to see Treasury notes meet these expenditures. One, that we must sell something like $2,000,000,000 worth of bonds, $1,900,000,000, to be exact, to refinance short-time paper within the next few weeks, and there is the question of the effect upon their market. There is another reason in my mind. I want to save the issuance of currency, with the hope in my heart that the World War veterans may be able to get that currency issued under the Owen plan in payment of their bonus certificates. [Applause.] We must have controlled inflation. I believed in it when it was unpopular. I believed it was the hope of our country when the payment of the bonus was before us. Time has justified that position. The power to have controlled inflation even without its exercise has started us well on the road to recovery.

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

Mr. VINSON of Kentucky. Yes.

Mr. COX. Was there anything in the way of the committee that prevented it from putting the bonus provision in the bill before the House?

Mr. VINSON of Kentucky. The gentleman from Georgia, who has had quite an experience here, knows that we could have gone into the various realms of legislation. We could have taken the depreciated-currency legislation that the gentleman from New York wanted. We could have written a tariff act. We could have had a complete revenue bill. We could have presented some measures that might have a beneficial effect upon the cotton mills of Georgia, the gentleman's State. We could have brought in all kinds of legislation, but there are times for all things, and the purpose of this legislation is to put the unemployed to work. My distinguished friend from Georgia [Mr. Cox] says that if this law passes, the turning point in this Nation's history will have been reached. I say to the distinguished gentleman that the turning point in our history has already been reached.

When this bill is passed by this House and it becomes law, it will place within the power of the President discretionary power to rear an economic structure that has collapsed and to build anew upon the ruins. The turning point has already been reached, and so far as the constitutional argu-

ment is concerned, the language of the great liberals in the Supreme Court recognizes that a new day has arrived. That day has arrived and a new deal is in course of consummation.

We have passed an agricultural bill increasing agricultural-commodity prices. Attached to that bill was the currency legislation which will mean so much to our country. This bill is a supplement of that legislation. This bill tends toward the employment of millions of unemployed. When it reaches the Supreme Court, it will be considered in the light of fair decisions and in the light of our present-day experience and conditions.

In discussing title I, I say that the powers granted there are discretionary. Further, the powers are temporary. The antitrust laws are not repealed. They are suspended insofar as they come in conflict with this law, for a temporary period, in order that an economic structure may be built. The gentleman from Georgia in a query to some gentleman endeavored to quote Mr. Richberg in answer to a gentleman on the committee that this bill was contemplated to construct monopolies, and he referred to page 60 of the hearings. Mr. Chairman, Mr. Richberg is the general counsel for the brotherhoods, and he had as much to do with the labor provisions in this bill, probably more, than any other man. He said they were fair to labor.

In answer to the question of the gentleman from Minnesota [Mr. KNUTSON], let me quote from the bill:

> That such code or codes are not designed to promote monopolies or to eliminate or oppress small enterprises, and will not operate to discriminate against them, and will tend to effectuate the policy of this title.

My friends, it is an easy matter for a shrewd lawyer to pick out a particular sentence in a particular paragraph and stress it, but you must read the declaration of policy of this bill. You must read it. Every line in title I is to effectuate the purpose set forth in the preamble of that title, or its declaration of policy. It reads as follows:

> DECLARATION OF POLICY
>
> SECTION 1. A national emergency productive of widespread unemployment and disorganization of industry, which burdens interstate commerce, affects the public welfare and undermines the standards of living of the American people is hereby declared to exist. It is hereby declared to be the policy of Congress to remove obstructions to the free flow of interstate commerce which tend to diminish the amount thereof and to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanctions and supervision, to eliminate unfair competitive practices, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry and to conserve natural resources.

Mr. COX. Will the gentleman yield?

Mr. VINSON of Kentucky. I will be very happy to yield.

Mr. COX. Will the gentleman permit me to call his attention to the language of Mr. Richberg, on page 56 of the hearings?

Mr. VINSON of Kentucky. That was not the page to which the gentleman referred a moment ago.

Mr. COX. I know it was not; but I will come to that later. At the bottom of page 56 I find this:

> It has been the desire of the trade associations, from the employers' standpoint, to be permitted to get together and make agreements establishing standards of fair competition—

And then later—

> Agreements such as have been developed in a great many industries where they have attempted trade-association operations, for the purpose of eliminating unfair practices, and also, let us say, for the purpose of establishing price levels on which the industry felt it could survive. Of course, those agreements have run ahead on into the Sherman law and the other antitrust laws, because they tended to restrict competition, to restrain competition in interstate commerce.

Mr. VINSON of Kentucky. The gentleman stops too soon. Now I want to read something on page 57 of the hearing, quoting from the same gentleman:

> Now, the difficulty that is met in this bill is this: Any suggestion that the antitrust laws simply be repealed would turn us back, without Government restraint, into the field of developing monopoly and monopoly control of prices and output, which would be abhorrent to the general senses of the American people who, I think, still believe that a private monopoly is indefensible.

The very purpose of this bill, the foundation rock, is to prevent monopolies. Such purpose is expressly written into the law. Regardless of the desire of a particular trade group or industrial group as to what they might want to do, the law says that such code or codes are not designed to promote monopolies or limit or oppress small industry, and will not operate to discriminate against them, and will tend to effectuate the policy of this title. It is not contemplated to lay down a national code for all industries.

If you find an industry that a national code would fit, well and good; but throughout this bill you have it for a trade or industry or subdivision thereof. I asked Senator WAGNER what "subdivision" meant. I asked Mr. Douglas with reference to "restricted area or zone", and the testimony is, without contradiction, that these codes of agreement will apply to particular areas in the sections where conditions are different from the conditions in other sections. The question of locality and the question of skilled employees is specifically mentioned as an important factor.

Mr. COX. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. COX. Industry wanted this bill because it permitted the setting up of a trade agreement. Now, will not that industry immediately fix prices, which defeats the normal operation of the law of competition, and is that not what industry wanted?

Mr. VINSON of Kentucky. I do not agree that this is a price fixing bill as such. It is a bill that intends to put unemployed to work, to give them a living wage, to permit them to live as Americans should live; to permit a fair price to be secured for their commodities. You may have a voluntary code, my friends——

Mr. COX. Will the gentleman yield?

Mr. VINSON of Kentucky. I regret very much, but my time is limited.

You may have a voluntary code. If an industry came in with a voluntary code, before that can become operative it must have the approval of the President of the United States.

Mr. BANKHEAD. Will the gentleman yield?

Mr. VINSON of Kentucky. In just a moment, please. Before you can have a voluntary code, those sending it must show two things, that there is no inequitable restriction on admissions to membership and that they are truly representative of the trades or industries involved. Now, I yield to the gentleman from Alabama.

Mr. BANKHEAD. With reference to the constitutional construction of modifying the antitrust provision, did the committee have in mind the principles laid down in the recent case of *Appalachian Coal Co.* v. *United States?* It seems to me the gentleman might well incorporate a part of that decision in his remarks.

Mr. VINSON of Kentucky. I, as one member of the committee, had that decision in mind. It affected my particular section. It may be said the Supreme Court went a long way in that opinion, but it shows the trend of the times, and it is the supreme law of the land.

Mr. JENKINS. Will the gentleman yield?

Mr. VINSON of Kentucky. I yield.

Mr. JENKINS. In view of the fact that the Appalachian decision was favorable to the States of Kentucky and West Virginia what, in the gentleman's opinion, will this bill do to promote the coal industry of Ohio, to permit it to revive itself?

Mr. VINSON of Kentucky. Well, I certainly think the industry in which the gentleman is interested will be helped. There is no difference in our opinion. We both believe that the coal industry will be revived. If we felt there was anything in this bill that would cripple the coal industry I am certain the gentleman from Ohio would not support it and I would not.

It is necessary for us to realize that this bill is aimed at national economic recovery. Even now the coal business

in Kentucky and West Virginia is improving by leaps and bounds. The general economic condition is vastly improved. But, we must admit that such improvement must be helped along, steadied, and pushed forward by increased buying power. In my opinion, this is the legislation that will have maximum effect in starting the wheels of industry to turn permanently. Once started, they will naturally accelerate. With the factory wheels turning there will be a demand for coal, and this industry, at the lowest ebb in its history, will get upon its feet.

Take the coal industry for example: When there is a demand for coal caused by the wheels of industry turning every individual in the immediate and surrounding vicinity of the mines is directly benefited; buying power is created; money and credit change hands; increase in the velocity of currency takes place, not only in the immediate vicinity but the purchases necessary for this work reach every State in the Union and the labor in those States. They have increased buying power; they go into the market; other men and women are put to work—they have increased buying power. Throughout this entire country people are able to buy the products of the farmer at a fair price. This gives them increased buying power. In turn, they purchase the products of the factory and the mines—this gives them added buying power, and so on until our people will be a prosperous, contented people.

Now, I want to submit one fact that has not been developed, and that is with reference to the consumer. He gets into this picture. The consumer has a representative in this deal. The representative of the consumer is the President of the United States.

Mr. COX. Oh, he is the representative of all the people.

Mr. VINSON of Kentucky. He is the representative of the people in respect to these agreements and these codes. The code or agreement must be a fair code or agreement, and this bill gives the President the power, as a condition of his approval, to impose such conditions and include such requirements for the making of reports, the keeping of accounts, and so forth, for the protection of consumers, competitors, employees, and others.

Mr. COX. Will the gentleman not permit me to take him back again to the testimony of Mr. Richberg for a moment?

Mr. VINSON of Kentucky. I can not yield further. My time is very limited.

In paragraph (d), on page 4, power is given the President to create an involuntary code, and then later on in the bill he has a right to prescribe a limited code, a code that only deals with the question of hours, the question of minimum pay, and working conditions in the industry.

The CHAIRMAN. The time of the gentleman from Kentucky [Mr. VINSON] has expired.

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Kentucky [Mr. VINSON] 5 additional minutes.

Mr. VINSON of Kentucky. The statement has been made that this is a manufactured bill, a canned bill. Since I have been in Congress I have had something to do with bringing out many bills. I have never seen a bill that has been amended as many times or given more careful consideration than this particular bill.

Mr. COX. If the gentleman will yield, with the exception of the tax provision, the original bill as sent down to the committee has not suffered the dotting of an "i" or the crossing of a "t."

Mr. VINSON of Kentucky. Oh, my! I can understand now the vision of the gentleman if that is the consideration he has given to this bill.

Mr. COX. I have copies of both bills and have compared them very carefully.

Mr. VINSON of Kentucky. There was a committee print. I think I can see the viewpoint of the gentleman. He is honestly mistaken. After we concluded our work a new bill was introduced. It was used as the basis for discussion in committee. I can point out between 30 and 50 amendments to the original bill, which was later reintroduced by Chairman DOUGHTON, of the Ways and Means Committee, as amended by the committee; and, of course, the gentleman from Georgia did not know about that. He did not know the changes the committee has made in respect of the original bill.

Mr. COX. I have studied both bills. I dare say I have studied them more carefully and closely than the gentleman if the gentleman's statement means to reflect his understanding of the two bills.

Mr. VINSON of Kentucky. I mean that I can point out probably 50 changes made by the Ways and Means Committee in the original bill introduced by the gentleman from North Carolina [Mr. DOUGHTON].

Mr. Chairman, the statement has been made that the income tax on incomes above $10,000 has been increased only 3 percent. I am sure the gentleman who made that statement was sincere; but when you get to juggling figures, things are not always made to appear in their true relationship. Let me tell you what this increase is. There may be just complaint as to the burden or as to the excessiveness of the increase, but certainly none as to its lightness of burden. They talk about a 50-percent increase on $4,000 net income. That is true; but when you get above $4,000 net income the increase is 25 percent on the normal rate. It is increased from 8 percent to 10 percent. This is carried not only from $4,000 to $10,000, but it goes from $4,000 to the maximum figure, even though it should be $50,000. In other words, the normal rate is increased 25 percent on all incomes over $4,000.

Do not forget we have a surtax, and in the high brackets this rate is 55 percent. When you add the normal rate of 10 percent to the surtax you have a Federal tax of 65 percent of the income. If you live in Wisconsin, you would have to pay 15 percent as a State income tax, which would make a total tax of 80 percent of such income of a person as may fall in the highest bracket.

I wish to call attention to a committee amendment which will be offered. It is a provision to eliminate net losses. This was a provision which was incorporated in the Revenue Act of 1932 that passed the House. The Senate took it out. Before the act of 1932 you could carry losses over for a period of 2 years. In other words, as Mr. Morgan had a severe loss in 1929 he was entitled to carry over the loss he sustained in 1929 and offset it against income which was earned in 1930 and 1931. This amendment meets that situation. This amendment eliminates the carry-over for 2 years. It eliminates the carry-over for 1 year. The committee amendment which is to be offered provides that the loss must be taken in the year in which it was sustained, and this certainly is a salutary provision. I am happy in having sponsored this in the last Congress even before the Morgan exposé.

Another committee amendment will be offered to put the tax on electric energy on the producer instead of the consumer, in conformity with the action of the House taken a few days ago. We are controlled by the action of the House in this respect.

A number of other committee amendments will be offered, probably a dozen. It may be the gentleman from Georgia did not know about them.

Mr. COX. Yes; I knew about them because a member of the committee made the statement yesterday that he proposed to do that, and the statement was made as an inducement to the House to adopt the rule, which was adopted, under which this bill is being considered.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. VINSON of Kentucky. I do not want to be misunderstood in referring to the committee amendments that are to be introduced. The amendments to which I referred originally are amendments to the original Doughton bill in addition to those offered upon the floor today, and there are, I would say, at least 30 such amendments.

This bill has been referred to as creating a dictatorship in this country. I do not believe it goes that far; but with twelve or fourteen millions of our people out of work, with

millions and hundreds of millions of dollars of Federal money, State money, county and city money being expended to provide a mere living to millions of our citizens, it is high time work of this character were done that tends toward the employment of our people.

We may prate about the Constitution of the United States. No man loves it more than I do. Constitutionality is a personal consideration. However, I believe that the law of self-preservation, the first law of nature, will have its effect in the consideration of the constitutionality of this or any similar bill. [Applause.]

Justice Brandeis' language in minority opinion in New State Ice Co. against Liebmann is very illuminating in this respect:

The people of the United States are now confronted with an emergency more serious than war. Misery is widespread in a time, not of scarcity but of overabundance. The long-continued depression has brought unprecedented unemployment, a catastrophic fall in commodity prices, and a volume of economic losses which threatens our financial institutions. Some people believe that the existing conditions threaten even the stability of the capitalistic system. Economists are searching for the causes of this disorder and are reexamining the base of our industrial structure. Business men are seeking possible remedies. Most of them realize that failure to distribute widely the profits of industry has been a prime cause of our present plight. But rightly or wrongly, many persons think that one of the major contributing causes has been unbridled competition. Increasingly, doubt is expressed whether it is economically wise or morally right that men should be permitted to add to the producing facilities of an industry which is already suffering from overcapacity. In justification of that doubt men point to the excess capacity of our productive facilities resulting from their vast expansion without corresponding increase in the consumptive capacity of the people. They assert that through improved methods of manufacture, made possible by advances in science and invention and vast accumulation of capital, our industries had become capable of producing from 30 to 100 percent more than was consumed even in days of vaunted prosperity; and that the present capacity will, for a long time, exceed the needs of business. All agree that irregularity in employment—the greatest of our evils—cannot be overcome unless production and consumption are more nearly balanced. Many insist there must be some form of economic control. There are plans for proration. There are many plans for stabilization. And some thoughtful men of wide business experience insist that all projects for stabilization and proration must prove futil unless, in some way, the equivalent of the certificate of public convenience and necessity is made a prerequisite to embarking new capital in an industry in which the capacity already exceeds the production schedules. Whether that view is sound nobody knows.

The objections to the proposal are obvious and grave. The remedy might bring evils worse than the present disease. The obstacles to success seem insuperable. The economic and social sciences are largely uncharted seas. We have been none too successful in the modest essays in economic control already entered upon. The new proposal involves a vast extension of the area of control. Merely to acquire the knowledge essential as a basis for the exercise of this multitude of judgments would be a formidable task; and each of the thousands of these judgments would call for some measure of prophecy. Even more serious are the obstacles to success inherent in the demands which execution of the project would make upon human intelligence and upon the character of men. Man is weak and his judgment at best is fallible.

Yet the advances in the exact sciences and the achievements in invention remind us that the seemingly impossible sometimes happens. There are men now living who were in the habit of using the age-old expression, "It is as impossible as flying." The discoveries in physical science, the triumphs in invention attest the value of the process of trial and error. In large measure, these advances have been due to experimentation. In those fields experimentation has, for 2 centuries, been not only free but encouraged. Some people assert that our present plight is due, in part, to the limitations set by courts upon experimentation in the fields of social and economic science and to the discouragement to which proposals for betterment there have been subjected otherwise. There must be power in the States and the Nation to remold through experimentation our economic practices and institutions to meet changing social and economic needs. I cannot believe that the framers of the fourteenth amendment, or the States which ratified it, intended to deprive us of the power to correct the evils of technological unemployment and excess productive capacity which have attended progress in the useful arts.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. CELLER].

Mr. CELLER. Mr. Chairman, at the outset I draw attention to my insertion in my remarks of a typical code of practice that might be used by any typical trade association within the purview of title I of this act, and I ask unanimous consent to insert this in the RECORD.

Mr. CROWTHER. Reserving the right to object, Mr. Chairman, has this been submitted to the "brain trust"?

Mr. CELLER. I am the "brain trust" in this regard. [Laughter.]

The CHAIRMAN (Mr. LAMNECK). Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. The distinguished gentleman from Pennsylvania [Mr. BECK] complains about the vast powers conferred upon the President by title I of the National Industrial Recovery Act.

However, these powers are no greater, nor any less, than those granted to the head of the War Industries Board in 1918. Incidentally, President Wilson took it upon himself to set up the War Industries Board by a mere letter addressed to Bernard M. Baruch, under date of March 4, 1918. The letter constituted the charter of the Board. The set-up of the Board was not even grounded in legislation. The letter is as follows:

THE WHITE HOUSE,
Washington, March 4, 1918.

MY DEAR MR. BARUCH: I am writing to ask if you will not accept appointment as Chairman of the War Industries Board, and I am going to take the liberty at the same time of outlining the functions, the constitution, and action of the Board as I think they should now be established.

The functions of the Board should be:

(1) The creation of new facilities and the disclosing, if necessary, the opening-up of new or additional sources of supply;

(2) The conversion of existing facilities, where necessary, to new uses;

(3) The studious conservation of resources and facilities by scientific, commercial, and industrial economies;

(4) Advice to the several purchasing agencies of the Government with regard to the prices to be paid;

(5) The determination, wherever necessary, of priorities of production and of delivery and of the proportions of any given article to be made immediately accessible to the several purchasing agencies when the supply of that article is insufficient, either temporarily or permanently;

(6) The making of purchases for the Allies.

The Board should be constituted as at present, and should retain, so far as necessary and so far as consistent with the character and purposes of the reorganization, its present advisory agencies; but the ultimate decision of all questions, except the determination of prices, should rest always with the chairman, the other members acting in a cooperative and advisory capacity. The further organization of advice I will indicate below.

In the determination of priorities of production, when it is not possible to have the full supply of any article that is needed produced at once, the chairman should be assisted and, so far as practicable, guided by the present priorities organization or its equivalent.

In the determination of priorities of delivery, when they must be determined, he should be assisted when necessary, in addition to the present advisory priorities organization, by the advice and cooperation of a committee constituted for the purpose and consisting of official representatives of the Food Administration, the Fuel Administration, the Railway Administration, the Shipping Board, and the War Trade Board in order that when a priority of delivery has been determined there may be common, consistent, and concerted action to carry it into effect.

In the determination of prices the chairman should be governed by the advice of a committee consisting, besides himself, of the members of the Board immediately charged with the study of raw materials and of manufactured products, of the labor member of the Board, of the Chairman of the Federal Trade Commission, the Chairman of the Tariff Commission, and the Fuel Administrator.

The chairman should be constantly and systematically informed of all contracts, purchases, and deliveries in order that he may have always before him a schematized analysis of the progress of business in the several supply divisions of the Government in all departments.

The duties of the chairman are:

(1) To act for the joint and several benefits of all the supply departments of the Government.

(2) To let alone what is being successfully done and interfere as little as possible with the present normal processes of purchase and delivery in the several departments.

(3) To guide and assist wherever the need for guidance or assistance may be revealed; for example, in the allocation of contracts, in obtaining access to materials in any way preempted, or in the disclosure of sources of supply.

(4) To determine what is to be done when there is any competitive or other conflict of interest between departments in the matter of supplies; for example, when there is not a sufficient immediate supply for all and there must be a decision as to priority of need or delivery, or when there is competition for the same source of manufacture or supply, or when contracts have

not been placed in such a way as to get advantage of the full productive capacity of the country.

(5) To see that contracts and deliveries are followed up where such assistance as is indicated under (3) and (4) above has proved to be necessary.

(6) To anticipate the prospective needs of the several supply departments of the Government and their feasible adjustment to the industry of the country as far in advance as possible, in order that as definite an outlook and opportunity for planning as possible may be afforded the business men of the country.

In brief, he should act as the general eye of all supply departments in the field of industry.

Cordially and sincerely yours,

WOODROW WILSON.

Mr. BERNARD M. BARUCH,
Washington, D.C.

Briefer than the letter was the Executive order, under the so-called "Overman Act", which ratified the existing status of the War Industries Board. That Executive order reads as follows:

I hereby establish the War Industries Board as a separate administrative agency to act for me and under my direction. * * * The functions, duties, and powers of the War Industries Board, as outlined in my letter of March 4, 1918, to Bernard M. Baruch, Esq., its chairman, shall be, and hereby are, continued in full force and effect.

It may be said, and has been said, that that was a time of war; that we are now in a time of peace. That is hardly true. Judge Brandeis, in a famous dissenting opinion (*New State Ice Co.* v. *Liebman*, 285 U.S.Repts. 306) says:

The people of the United States are now confronted with an emergency more serious than war. Misery is wide-spread in a time, not of scarcity but of overabundance. The long-continued depression has brought unprecedented unemployment, a catastrophic fall in commodity prices, and a volume of economic loss which threatens our financial institutions. Thus, emergencies of peace may be just as acute and damaging as those of war.

I say to Mr. BECK, the War Industries Board did not injure the Constitution nor will the National Industrial Recovery Act.

Much has been said about the possibility of the Supreme Court's declaring title I unconstitutional. The Supreme Court, which declared the emergency rent laws constitutional, will certainly declare title I of this act constitutional. *Marcus Brown Holding Co.* v. *Feldman* (456 U.S. 170), which arose in New York City, and *Block* v. *Hirsh* (256 U.S. 135), which arose in the city of Washington, took away the right of landlords to charge anything that they would for leases on residential property. This right was denied to the landlords on the ground of the scarcity of buildings and dwellings. A very recent Supreme Court case, the *Appalachian Coal case,* should still all ideas that the Court will declare this bill, if enacted, unconstitutional. There 70 percent of coal operators combined to form a selling agency. It really was and is an agreement to fix prices and limit production. This bill would permit just that.

However, even the minds of the members of the Supreme Court are not static; they move onward. They realize, or ought to realize, that the Court should not have the right to place a bar upon experimentation in the fields of social and economic science. As Judge Brandeis said in the dissenting opinion above, in the case of the New State Ice Co. against Liebman, at 311:

There must be power in the States and the Nation to remold, through experimentation, our economic practices and institutions to meet changing social and economic needs. I cannot believe that the framers of the fourteenth amendment, or the States which ratified it, intended to deprive us of the power to correct the evils of technological unemployment and excess productive capacity which have attended progress in the useful arts.

The judge cautioned the court that to stay experimentation in things social and economic was the gravest of responsibilities, and denial of the right to experiment might be fraught with serious consequences to the Nation.

Title I of the instant bill is a great experimentation. It is really the declaration of independence of industry; independence from the age-worn shackles of the antitrust laws.

Recently two men came to my office in New York, and with serious demeanor, asked me to close the door to my office and draw the window blinds. They wanted to speak to me in the utmost secrecy. In whispering tones they told me they represented a large manufactory and that there were five such manufactories, the proprietors of whom were members of a trade organization. They have for 2 years past been agreeing upon certain practices in the trade, including that of price fixing. They wished to know their rights under the pending bill and whether they were safe from prosecution as the result of their price-fixing arrangements for the past 2 years. I told them that if this bill were passed, they could enter into a code of practice in their industry whereby they could limit production, allocate production, fix prices, set minimum hours of employment, arrange wage scales, and exchange credit facilities; in fact, do anything that would further the best interests of the industry, provided these practices were fair and equitable to the public, to labor, and to themselves, and would not offend against the policy of the act, as found in section I, title I, of the instant bill; said declaration of policy being as follows:

TITLE I—INDUSTRIAL RECOVERY

DECLARATION OF POLICY

SECTION 1. A national emergency productive of wide-spread unemployment and disorganization of industry, which burdens interstate commerce, affects the public welfare, and undermines the standards of living of the American people, is hereby declared to exist. It is hereby declared to be the policy of Congress to remove obstructions to the free flow of interstate commerce which tend to diminish the amount thereof; and to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanctions and supervision, to eliminate unfair competitive practice, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry and to conserve natural resources.

My good friends in my office breathed a sigh of relief and seemed especially happy when I told them that if this bill were passed they could freely and openly do what they had heretofore been doing by indirection and clandestinely.

That, my good friends, is the nub of the situation. Many trade organizations, stealthily and behind closed doors, have been making all kinds and manner of agreements as to wage conditions, prices, and credit facilities. The preservation of the life of their business demanded this. The antitrust laws have been violated right and left. No law of Congress can stop economic law. The changing economic law requires a changed statute.

It is becoming more and more evident that blind competition, with its ruinous cutthroat prices, is strangling industry by causing the widest kind of fluctuation in supply and demand, as well as uttermost waste and cruel unemployment. As Robert S. Brookings so wisely said recently, our problem is to work out some method by which we may obtain the benefits of competition with as little as possible of accompanying disorganization. "We know from sad experience that blind, ignorant competition has failed to make its reasonable contribution to earnings and our national economic needs." Industrialists must be permitted to band together and put their houses in order, and arrange fair equitable codes of practice governing the industry.

It would be unfair to attribute our present economic distress to the Sherman law. However, no sensible man can ignore the fact that the Sherman law and the interpretations placed upon it by our Supreme Court is one of the causes of that distress. Instead of being an aid to business it has become a hindrance. The Sherman law is called "An act to protect trade and commerce." It has been converted into a statute to injure and cripple trade and commerce. Appropriate economic planning that the economists have been advocating, and for which forward-looking business men have been yearning, is impossible under the Sherman law.

The law has been interpreted by the Supreme Court as an act to insure business against restraint, and by that token has become a law that forces competition in committing wastes. The Sherman law originated in the abuses brought about by the creation of so-called "trusts" and "monopolies" during the last 2 decades of the last century. These monopolies were a result of the fierce individualism that seemed to dominate during these decades. It is still sound law to prevent monopolies; and if the Supreme Court interpretations of the Sherman law had been limited to the pre-

vention of monopolies and trusts, there would be no need today for this pending statute. But the Supreme Court went further than the sponsors of the Sherman law intended. Senator Sherman said that he aimed at "substantial monopoly, injurious to the public."

Chief Justice Fuller, in 1895, pointed out that all the law did was to strike at combinations, contracts, and conspiracies to monopolize trade and commerce. No one wishes to repeal the Sherman law so far as it obtains against monopolies, but its development and interpretation and the uncertainties of its application have given the statute a scope and effect far beyond real beneficial results. In other words, the Supreme Court has developed the statute far beyond its original purpose. Therein lies the difficulty. The Supreme Court failed to distinguish between a conspiracy and a combination. It held all combinations to be conspiracies. Innocent combinations were confounded with guilty combinations. As a result natural and fair and equitable agreements among members of the same industry, to avoid overproduction and wastes and destructive competition, were forbidden. The instant bill seeks to bring the statute back to the common law and permit combinations, provided they do not monopolize, or tend to monopolize, and provided same are fair and equitable.

It was never within the realm of the common law to prevent combinations or agreements among tradesmen. The common law only prohibited combination when that combination became a conspiracy to monopolize or an agreement to oppress. The Supreme Court failed to follow this common law. It seemed to think it had a mandate under the Sherman law to hold that any restraint of trade was bad and that all competition is good.

It is said that we turned the hands of the clock backward 5 centuries when the Supreme Court made such a pronouncement.

Great havoc was caused by the *Northern Securities case* in 1903 when the Supreme Court, by a 5-to-4 decision, announced the principle that no mutual restraints were permissible; that same were prohibited by the Sherman law. Had the minority view in the *Northern Securities case* prevailed, there would have been no need now to amend the Sherman law. Furthermore, the views of the minority in that case were quite consistent with the well-established principles of the common law.

It is interesting to note that Justice Holmes, one of the minority, pointed out that if the competition with third parties is not restrained or oppression practiced against them, or if monopoly is not aimed at or achieved, then no aspect of the combination can be harmful. "Quite to the contrary", said Holes, "such combinations might easily be beneficial to the public interests." He went on further to say that all trade agreements that aimed at the elimination of excess production or the maintenance of fair prices must be deemed legal.

Title I of the instant bill imports and permits exactly what Justice Holmes said in his dissenting opinion in the *Northern Securities case*. Title I says that, with the approval of the President, or anyone he may designate, any trade organization can enter into an agreement among its members to eliminate excess production and maintain fair prices.

If we look at the language of the Sherman Act—

Justice Holmes said—

> it says nothing about competition. It deals with restraints of trade and with monopoly. There was no objection at the common law to combinations in restraint of trade, unless they amounted to monopoly, or unless they intended to oppress or restrain strangers to the combination. The prohibitions of the Sherman law were suggested by the trusts, the objection to which, as everyone knows, was not the union of former competitors, but the sinister power exercised or supposed to be exercised by the combination in keeping rivals out of business and ruining those who were already in. * * * It was the ferocious extreme of competition with others, not the cessation of competition among the parties, that was the evil feared.

The Sherman Act has been interpreted dozens and dozens of times, and each time it has been interpreted differently. In fact, the meaning of this statute rests on so much uncertainty that I think I am almost safe in assuming that no two judges anywhere can agree as to its proper meaning. After 40 years of hairsplitting, the judges of our Supreme Court are all still in disagreement. In the Freight Association and Joint Traffic Association cases, 1897 and 1898, a divided court held the act applicable to all restraints, whether reasonable or not.

In the *Northern Securities case* in 1903, a divided court said the act went beyond the common law and held that all restraints, whether monopolistic or not, were banned. Eight years later, in the Standard Oil and Tobacco cases, a divided court held that reasonable restraints were not within the ban of the statute. Nine years later, in 1920, in the Steel case, four judges considered the public interest and the beneficial economic effects and held that the agreement, if in the public interest and benefit, was valid. Three judges dissented and said they were—

> unable to see that public policy or the assumed disastrous effect upon foreign trade of dissolving the unlawful combination is sufficient to entitle it to immunity from the enforcement of the statute.

In the *Shoe Machinery case*, 1918, four justices held that the statute applied to so-called "tying" contracts under patents. Three held a contrary view. In the *Beechnut Packing Co. case*, in 1922, five justices held a plan for resale of defendant's products illegal. Four justices said the statute had nothing to do with the case. In 1924, in the *Leather Workers case*, the courts disagreed as to what constitutes interstate commerce under the law. In the *Maple Flooring and Cement cases*, in 1925, by a vote of 6 to 3, it was held that the public interest must always be considered in passing upon a combination that tended to stabilize trade and industry and produce fair price levels and to avoid the wastes which attend unintelligent conduct of enterprises. The minority in that case said:

> We may confidently expect the destruction of that kind of competition, long relied upon by the public for the establishment of fair prices, and to preserve which the Antitrust Act was passed.

The *American Column and Lumber case*, in 121, was a case where the court held that an association for the mere exchange of information was illegal under the Sherman law. Justice Holmes, however, for the minority, said that a combination merely to get knowledge and information about the trade was certainly not illegal. In the *Trenton Potteries case* five judges held that agreements to fix prices were not reasonable restraints of trade, and therefore were illegal. Three justices dissented. These three justices perhaps were realists and knew that the trade organizations do not usually reduce their agreements to writing or to any formalities, but rather rely upon what are known as "gentlemen's agreements." These agreements might well be called "bootlegging" agreements. They are without the law but are resorted to because of the law.

Not even the so-called "rule of reason", as laid down in the *Standard Oil case*, has rescued the statute from uncertainty. In fact, it has created more uncertainty. It is an indefinite and clouded standard. One can read and reread the 16,000 words of the Tobacco Trust and the Standard Oil decisions and not be able to form even a vague idea of what is meant by "reasonable" or "unreasonable" restraint. It is manifest that if the Supreme Court cannot give a plain definition of what a business man may or may not do, then certainly it is cruel and barbarous to charge the business man with violation of a law which is so ambiguous and uncertain in meaning. The business man, therefore, is entitled to have the law made clear. This bill does just that.

Is it not time, therefore, to change the act and allow these combinations, provided they be just and equitable, even though they do fix prices and adjust labor conditions and involve exchange of credit information? It is a fallacy to say that the law of supply and demand must have full sway. The fact is that free competition and the unhampered law of supply and demand has forced prices below the cost of production. This has driven men out of business, with consequent increase of unemployment and reduction of consumption demand. All this in turn has developed the dangerous spiral leading to our economic distress.

Let there be trade agreements to lift up commodity prices. It has been said that agreements under the bill cannot be made to fix a fair price. This is not so. If it were so, the bill would not be worth a tinker's dam. If the tanner can make the leather out of the hide with a profit, and the shoe manufacturer knows that he can make a fair return in the manufacturing of shoes out of that leather, and the wholesale distributor and retailer can sell the shoes at a profit, and the bankers are willing to extend credit facilities to finance these operations, then wages will increase, more jobs will be afforded, and in turn there will be a greater consumption demand. Only with increase of commodity prices and the destruction of overproduction and the doing-away with cutthroat competition will this be brought about. The codes of practice and the agreements indicated under title I will bring about this result. The combinations involved in these agreements will be under strict Government regulation. There will be no monopoly. There should be no abuses.

Furthermore, the bill has a duration of 2 years. If it works well, it can and will be extended indefinitely.

In preparation for my remarks on this bill I have been in touch with Mr. Junkin, of the Commercial Law Division, and Mr. Judkins of the Trade Association Section of the Department of Commerce. They have given me valuable assistance and have submitted to me what has been called a "Magna Carta" for trade associations. This document is to be credited to these two gentlemen as well as to Mr. Feiker, Director of the Bureau of Foreign and Domestic Commerce, and to his assistant, Mr. Dewey, as well as to other distinguished gentlemen of the Department of Commerce. Because of the interests involved in this act throughout the business world, and because many lawyers will be wrestling with the problem of such trade organizations, I herewith submit a typical charter for a typical trade organization, contemplated under title I of the act:

PREAMBLE

Whereas in the past the economic and industrial development of this country has been predicated upon the principle of independence within the industry and independence of the industry in relationship to other groups; and

Whereas at the present time, increasing experience and wider vision indicate the fundamental interdependence of industry not only within the industry, but with all groups in the social fabric:

Therefore, we the (blank) industry do hereby organize and create the (blank) trade association, for the mutual benefit and advantage of those employed by it, of those engaged in allied industries, of those supplying our materials, of those distributing our output, of those consuming our products, and of all those interested in the development, improvement, and betterment of our methods, and in our place in the social and economic organization of the Nation—all in pursuance of the National Industrial Recovery Act.

ARTICLE I—MEMBERSHIP

This association, recognizing the interest of other groups in the prosperity, welfare, development, and conduct of the (blank) industry, and desiring the cooperation, the benefit of thought and research, and the suggestions of all those interested in that interdependent structure which affect the welfare of those engaged in this industry, hereby creates the following types of membership:

Active membership: Any individual, firm, or corporation in the group is eligible to become an active member of this association.

Cooperative membership: Any individual, firm, corporation, or organization engaged in related lines, suppliers, distributors, service bodies, scientific groups, representative of other trade, scientific or service bodies, or representative of labor, or consumers is eligible to this form of membership and may enjoy the facilities of the secretary's office in the promotion of matters of mutual interest, the privilege of the floor at open sessions, may be assigned to committees, or, if deemed desirable, may even be elected to office, but shall not have the privilege of voting.

Associate membership: Any individual, firm, corporation, or organization members of either of the above classes of membership may enter one or more associates who by virtue of certain qualifications in the scientific service, promotion, legal or social fields may be in a position to further the activities and objectives of the association, but privileges of this group are to be no greater than those set forth in the cooperative membership group.

ARTICLE II—ECONOMIC OBJECTIVES

Whereas the welfare and development of an industry depend upon its stable progress and its planned and proper growth, its limitation of production to consumer demands; and

Whereas the interest of those dependent upon or connected with the industry is vitally intertwined with the accomplishment of this purpose;

Now, therefore, this association shall have for its basic purpose a broad vision not only of its own interests, but the interest of those dependent upon it, catering to it, or dealing with it; and for this purpose this association shall study, investigate, and make research into all those factors which may affect its economic stability, growth, prosperity, and welfare.

For example:

1. Economic planning by the association: (a) Model plan for individual firm; (b) model plan for the entire industry; (c) model plan for interrelated industries.

2. Economic planning in its broadest aspects, cooperating with other trade and professional groups and the Government in "national economic planning."

3. Preparing surveys as to: (a) Seasonal fluctuations affecting sales product; (b) cyclical fluctuations, etc.

4. Preparing surveys as to the long-term trends of practices in: (a) Production and the prevention of overproduction and its reasonable limitation to consumer demand as well as allocation of production among members of the industry; (b) capital-goods investments; (c) marketing; (d) transportation; (e) labor and personnel problems; (f) trade practices and ethical standards; (g) changes in consumer needs and demands and regulation of production in accordance therewith.

5. Statistical activities (to further planning possibilities)—

A. Current statistics of production or trade: (a) Capacity; (b) purchases; (c) production; (d) stocks on hand; (e) orders, unfilled; (f) cancelations; (g) shipments; (h) prices; (i) returned goods; (j) inquiries; (k) bids; (l) contracts.

B. Labor statistics: (a) Number employed; (b) pay rolls; (c) personnel training.

C. Management or cost statistics: (a) Uniform cost accounting (classification of accounts); (b) cost estimating; (c) standard forms for orders, bills, bids, contracts, etc.; (d) cost studies of, 1, budget; 2, overheading; 3, production; 4, depreciation; 5, obsolescence; 6, shipping; 7, turnover; 8, stock or inventory control; 9, maintenance of a research library and laboratory.

D. Forecasting research as to sales possibilities: (a) Consumer needs, potential purchasing power, relation of competing products and possibilities of acceleration by advertising programs; (b) based on new inventions in production equipment, etc; (c) based on equipment expansion.

E. Research into cooperative buying or bulk quantity commitment.

ARTICLE III. BUSINESS OBJECTIVES

Whereas an industry which does not render true service to the public, or an industry which is without true profit to itself, must eventually face elimination.

Now, therefore, this association shall have for its immediate purpose the conduct of activities looking toward the betterment of its product, the elimination of wasteful practices, the promotion of high standards of practice, the making of fair and equitable agreements as to prices, the development of public confidence, and the dissemination of knowledge about the industry's products—their usefulness and place in the economic scheme—all in the interests of the public welfare, the industry, and labor.

For example:

1. Cooperative advertising of products to: (a) Manufacturers and distributors in this and related industries; (b) professional advisers (as architects, engineers, etc.); (c) the consumer.

2. Market research: (a) Discovering and defining logical market areas of each product; (b) determining probable long-term market growth factors; (c) determining normal seasonal fluctuations in sale and consumption; (d) determining the responsiveness in sale of each product to the business cycle influences.

3. Product research: (a) As to materials now used; (b) as to new materials; (c) as to new or improved products; (d) as to new uses for present products.

4. Industrial standardization: (a) Standard specifications for raw and semiprocessed materials; (b) standard specifications for equipment and supplies purchased; (c) sponorship of standards for articles produced promoting uniformity and interchangeability of parts; (d) trade association certification service ("Standard quality") and quality trade-mark.

5. Simplified practice.

6. Operation research: (a) Regarding equipment now used; (b) regarding contemplated new equipment; (c) regarding contemplated manufacturing methods; (d) regarding contemplated new utilization of by-products or waste materials.

7. Credit activities: A. Establishment of a credit bureau to—(a) Operate within the association; (b) cooperate with other associations; (c) cooperate with commercial credit agencies. B. Establishment of a collection-bureau service.

8. Transportation problems: (a) Establishment of a traffic department, concerned with rates and classification matters; (b) cooperation with Regional Joint Advisory Boards; (c) clarification of overseas shipping problems; (d) improvement of transportation facilities.

9. Insurance problems: (a) Securing equitable rates and uniform schedules; (b) securing more adequate coverage or protection; (c) studying feasibility of cooperative insurance arrangements; (d) acting as insurance service bureau for members.

10. Cooperative deliveries.

11. Cooperative warehousing.

12. Price fixing: (a) The gathering of data so that fair and equitable agreements can be made to reach fair price standards provided same be in the interests of the industry, the public, and labor, and provided further that such agreements will not monopolize or tend to monopolize the industry, and provided further that such agreements be in conformity with the letter and spirit of the National Industrial Recovery Act.

ARTICLE IV. SOCIAL OBJECTIVES

Whereas the economic future and progress of industry are predicated upon the welfare, health, safety, economic independence, and freedom from uncertainty of those without whose services the industry could not exist:

Now, therefore, this association shall have for its third purpose the study and formulation of the needs, and plans for meeting the needs, of those engaged in this industry, whether management or labor or production or distribution.

For example:

1. Stabilization of employment: (a) Employment surveys as to wages, hours, personnel, efficiency, adaptability, etc.; (b) placement service; (c) cooperation with public or private employment agencies.
2. Unemployment insurance.
3. Employee retirement plans.
4. Training schools for employees: (a) For apprentices, manual workers, foremen, salaried workers, salesmen, and executives.
5. Living and working conditions: (a) Health, hygiene, and welfare provisions; (b) plant sanitation; (c) hospital and medical care; (d) employee recreation.
6. Employee safety plans: (a) Safety campaigns or contests; (b) first-aid instruction.
7. Savings funds and stock-purchase plans.
8. Encouragement of conciliation and arbitration in disputes or misunderstandings with employees.
9. Woman and child labor policies.
10. Public relations: (a) Press contact; (b) Government contact (local, State, and Federal); (c) public participation in problems of trade; (d) educational projects, tributes to industrial or social leaders, etc.; (e) public information bureaus; (f) advertising, etc.

ARTICLE V. LEGAL OBJECTIVES

Whereas new laws affect industry; and

Whereas new industries and new relationships with industries result in laws; and

Whereas it is to the interest of this industry, in seeking to abide by existing laws, to have a proper voice in the development of those new laws which may affect this industry directly, or in its relationship to others:

Now, therefore, this association shall have for its fourth purpose the study of pertinent laws, the dissemination of information concerning them, and the formulation or criticism of those proposed projects which may concern it, and the development of those activities, functions, and purposes which may properly be within its scope. And this association will always conduct itself consistent with the policy announced in section 1, title I, of the National Industrial Recovery Act, which is as follows:

TITLE I—INDUSTRIAL RECOVERY

DECLARATION OF POLICY

SECTION 1. A national emergency productive of wide-spread unemployment and disorganization of industry, which burdens interstate commerce, affects the public welfare, and undermines the standards of living of the American people, is hereby declared to exist. It is hereby declared to be the policy of Congress to remove obstructions to the free flow of interstate commerce which tend to diminish the amount thereof; and to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanctions and supervision, to eliminate unfair competitive practices, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry and to conserve natural resources.

For example:

1. Objectives as to existing laws to: (a) Study and determine legal means to further all major and minor objectives; (b) make available information concerning laws and decisions; (c) perform service in litigation involving association policy; (d) assist in relations with governmental regulatory bodies; (e) standardize or improve forms and terminology of commercial and legal documents, etc., peculiar to trade; (f) defend the legality and propriety of the association's established trade practices; (g) encourage the use of commercial arbitration settling when best suited in misunderstandings or disputes.
2. Objectives as to proposed legislation to: (a) Keep posted on all legislative proposals, State and Federal, affecting the industry and related industries, (1) supply of raw materials, (2) transportation, (3) communication, (4) production control, (5) etc.; (b) initiate desirable legislative reforms; (c) promote uniformity of State legislation, etc.

In conclusion, I want to take this opportunity to give credit where credit is due. I desire to draw your attention to the fact that the real author of the original National Industrial Recovery Act is Hon. Meyer Jacobstein, former Representative in Congress from Rochester, N.Y. I worked with him on this bill many months ago; he has collaborated with Dr. Harold G. Moulton of the Brookings Institution of Washington, and he was one of the first to draw the President's attention to the efficacy of such an act. It was he who sold the idea to the President. Unfortunately, he has been shunted out of the picture. Of course, Senator ROBERT F. WAGNER has done yeoman service and deserves great credit, as does furthermore, Mr. Lewis Douglas, Director of the Bureau of the Budget, who, despite his multifarious duties, has contributed much to the final fashioning of the bill.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Connecticut [Mr. KOPPLEMANN].

Mr. KOPPLEMANN. Mr. Chairman, the national industrial recovery bill puts into concrete form a new social and economic philosophy. It appears that for the first time the Congress of the United States is asked to recognize the joint state of capital and labor in the prosperity of the Nation. Too often in the past groups of men have held that wages were a necessary evil and were to be kept down to the lowest possible level. They were a charge on industry and hence retarded business and commerce. On the other hand, many employees have felt that private corporations had little right to a reasonable profit; that the country could be prosperous if wages were high regardless of the condition of the various private enterprises.

Ladies and gentlemen, this bill recognizes the inescapable fact that durable prosperity is predicated upon the well-being of both employer and employee.

Under title I of this bill, the employer is protected from ruthless competition—the kind of competition that is one of the causes of the sweatshop. This will make it possible for him to join with decent members of his trade in setting a reasonable price for his product. The old philosophy of laissez faire is abolished by this bill. That philosophy brought neither large profits to the employer nor decent living conditions and a living wage to the employee. We can well be rid of it.

In a sense this bill is a magna carta for labor. Labor is given the right to a minimum wage, decent working conditions, and reasonable hours of work. If a trade cannot agree upon such humane and decent standards, the President is authorized to refuse to license such a business and it will be unable to sell its goods in interstate commerce. This certainly is a landmark in legislative history. Undoubtedly the constitutionality is aided by the existence of the national emergency. Without such emergency such legislation would not be possible. It is my sincere hope, however, that once we have compelled the ruthless minority who prey upon labor to give labor a decent wage, that never again will these men be permitted to continue their sweatshops.

The seeming prosperity of the Coolidge administration was but a mirage that did not slake a thirst of toiling laborer. There was a terrific gap between the income received by the laborer and the income received by the broker and financier. This bill states the new American philosophy, "The new deal and the square deal." Labor and capital must share alike in the prosperity of the country.

A progressive administration will see to it that no corporation is allowed to become a monopoly; a progressive administration will see to it that sound industry be fostered. We have gone a long way from the small shop of colonial days. New conditions demand new rules. We cannot return to unbridled private enterprises even if we would. This bill recognizes the implications of the new day and goes a long step toward providing honest industry with a chance to gain a reasonable profit. This bill helps insure labor a living wage, a chance to work under decent conditions, and the opportunity to participate in the prosperity and heritage of America. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to use to the gentleman from Massachusetts [Mr. HEALEY].

Mr. HEALEY. Mr. Chairman, although there are some features of this bill which do not meet with my approval, especially the reemployment and relief tax section which provides for the method of raising the revenue to support this great measure for relief, I am informed, and I believe that it is generally understood by the Members of the House, that a motion to recommit, for the purpose of reporting in

an alternative plan for this revenue, will be offered under the rule, and Members will have an opportunity to vote on that plan. But who could undertake to draft into legislation so comprehensive a plan, designed at once to encourage national industrial recovery, foster fair competition, adjust the hours and working conditions of labor, and to create widespread employment without some imperfections? It is the main objective of this bill, the creation of employment, which calls forth my enthusiastic support.

The gentleman from New York on the Republican side who spoke against this measure yesterday stated that he voted with great pleasure to support the President on the economy bill but that he would not support the President on what he termed "this extravagant program." In short, he has expressed the utmost willingness to support legislation which has taken away earning power, and consequently buying power, from the Government worker and pensions from disabled soldiers, which has also represented buying power in every town and hamlet of our country, but refuses to support creative legislation which will produce buying power among the rank and file of Americans. He terms this the extravagance program of the President because the President of the United States, in a heroic and courageous effort, strikes at the roots of this economic evil and asks for the passage of this legislation which, in one bold stroke, would stimulate industry which has fallen into chaotic decay, would assist labor, which has lost its effective force because of the inoperation of the law of supply and demand, and which would make uniform minimum wage and maximum hours of employment conditions throughout our country, and, above all, would create opportunities for employment for tradesmen, craftsmen, and unskilled labor in a great diversity of occupations throughout this land.

Because of this effort to accomplish for industry that healthy condition which, of its own initiative, it has been unable to maintain because of lack of cooperation, overproduction, short-sighted policies, and exploitation of labor, the gentleman from New York characterizes this as an attempt to sovietize industry. He attempts to deprecate the effectiveness of this measure by claiming that it will not create employment for the 6,000,000 men claimed for it but that it will only provide employment for a million five hundred thousand men.

Even if we were to grant this latter assertion, does not the gentleman think that, even if this number of men could be given jobs so that they may earn an honest day's pay and once again maintain self-respect, provide for themselves and families, and be removed from the overburdened welfare lists of their cities and private charities, this result would justify the raising and expenditure of this money? Does the gentleman not feel that, by providing these men with earning power and consequently buying power, countless others would also be benefited? Does he not realize that these men must live and spend a good part of this money, and that in so doing other people are employed to supply them? These people, in turn, must also spend, thus creating employment for still more people—and so on; it would permeate throughout our entire economic structure. Or does the gentleman still hold to the Republican theory that the only method of restoring prosperity is to refinance the bankers and defunct corporations so that they may provide dividends to the holders of their overcapitalized and watered stock? His own party was in control in the throes of this depression, and no such heroic and courageous effort as the present one came from its leadership. Now that this great effort to create, as his Republican colleague from Pennsylvania stated, "a social invention which will match our mechanical invention" has been offered, he condemns it in such deprecating terms. Our great President, when he took his oath of office on the steps of this Capitol, promised the American people action. He started the next day and has never let up in his brave efforts in facing squarely the difficulties and recommending swift and direct action going directly to the seat of the cancerous growth which has steadily sapped the vitality of our national existence. This is the greatest measure of all that have come before the Congress. It is the measure for which the American people have been anxiously waiting.

The eloquent constitutional lawyer from Pennsylvania has deplored the assault upon the Constitution which, in his opinion, this measure makes. It was called to his attention that, in 1917, great and plenary powers were conferred by the Congress on the War Industries Board. His reply, in effect, was that, of course, in time of war great latitude must be given to those in charge of our national defense. But could the gentleman think of any more devastating invasion upon our national security and existence than has been brought about by the present emergency? Does the gentleman realize that our whole national life, industry, labor, agriculture, are being threatened with ruin? This is the greatest emergency we have ever faced. Extraordinary methods and measures will be required to fight this war. Courage and confidence are now needed as never before at any time in our history and, if necessary, rather than let the creeping paralysis which is threatening our national life make any further progress, we must transcend the strictly literal and technical interpretation of the Constitution in our struggle for survival. It has been my contention and my honest belief that prosperity will not return until we are able to place in the pockets of the ordinary American a week's wages, a large part of which he will spend and thus promote further employment.

On the theory that the benefits thereof would sift down through our economic system, we have poured great sums of money into the top of this system. It has drained off like water in sand and has left no appreciable beneficial traces. Now it is time for us to bolster up the foundations of our economic system by placing this assistance with the workers. This will aid other workers and will eventually permeate our whole economic structure. The previous policy has failed miserably to effect any measure of recovery. The proposed policy will result in lending assistance to those people who are most direly in need. The Republican Party has tried the one experiment and it has failed. Let us now try helping that man at the bottom of the economic ladder who has so often, in the last campaign, been referred to as the "Forgotten Man."

Mr. CROWTHER. Mr. Chairman, I yield 1 minute to the gentleman from Iowa [Mr. GILCHRIST].

Mr. GILCHRIST. Mr. Chairman, like most of the bills that have come before us at this extra session of the Congress no chance is given to amend this bill. We cannot dot an "i" or cross a "t." We must accept the bill as a whole, or else we must reject it as a whole. This is true notwithstanding the fact that there are three different and unrelated titles contained in it.

The first title is designed to promote cooperation among trade groups and for the elimination of unfair competition by the formulating of codes for the regulation of such industries. The second title provides for a huge construction employment program through the expenditure of about three and one third billions of dollars. The third title contains some miscellaneous provisions and seeks to amend the emergency relief and construction act.

Title 2 is a tax measure, and three distinct methods are combined in order to raise the revenues for the gigantic construction program contemplated by the bill. This title proposes to raise the normal income-tax rates; it proposes to increase the present excise tax on gasoline; and it proposes to subject corporate dividends to the payment of normal rates of income taxes.

If an opportunity were given to vote separately upon the different unrelated subjects dealt with, or if opportunity were given to vote separately upon the different specific tax provisions of the bill, there is scarcely a Member who would endorse all of these provisions as now written. This is especially true concerning the methods proposed for raising the revenues necessary to pay for the public works and the renewed employment of labor which the bill contemplates.

In the consideration of any tax measure we should give favorable thought to any suggestion that might relieve the grievous load of taxation carried by our people and that

might transfer it even in small degree to foreign people, provided that the suggestion is just and equitable. And in this connection I call attention to the fact that the tolls charged for use of the Panama Canal should come in for a rightful share of the increased burden of taxation which the bill levies upon our industries. If the bill proves to be a success, then it will increase commerce and industry in huge proportions and the carriers of our freight, both on land and at sea, will reap a harvest of renewed and increased returns. The Panama Canal is undoubtedly the greatest work for the benefit of trade and commerce ever accomplished by mankind since the morning stars first sang together; and it will continue to bless generations of time until the trumpet shall sound an eternal end to earthly things. It was opened to traffic in 1914, and since then it has been used by the commerce of the world in great and increasing proportions, except that its early years were hampered by landslides and its traffic reduced by war conditions, and during the past few years the general economic distress has lessened its usefulness.

The report of the Governor of the Panama Canal for 1932 shows that at the close of the fiscal year the total capital investment was $533,106,009.47 and the net receipts for that year were about $11,751,896.32. Consequently, the net receipts represented a return of about 2 percent on the capital investment.

I submit that this is not an adequate return. It is not as large a return as the net interest at 3 percent which is charged against the operations of the Canal as a bookkeeping proposition in each fiscal year. Two percent falls far short of what we should expect the Canal to pay. Under the rate decisions of our courts railroads are sometimes allowed by the courts to receive as high as 6 percent. And if this bill will restore trade and commerce, then those who use the Canal will be benefited materially and they should expect to aid us in restoring the conditions which will have brought renewed and increased incomes to them.

The very essence of this bill is to restore trade and commerce and if this is done then the commerce which goes through the Canal should help to pay the bill, and increased tolls should be charged for transit through the Canal. Those who dance should be willing to pay the fiddler.

The Panama Canal Act of August 24, 1912, contains general provisions for the levying of tolls and authorizes the President to establish rules for measurement of vessels. There are limitations in the act. Confusion has arisen in practice concerning the formula which is to be used in ascertaining the net tonnage of the vessel. This is a technical matter. But the point is that the statutes with reference to these tolls should be amended and the President should be given power to increase these tolls so as to return an income commensurate with the services afforded by the Canal and pay from 4 percent to 6 percent upon the capital investment. This proposition is simply a good business proposition. We should require an adequate return for service rendered and capital invested.

Moreover, an increase of these tolls would result in increased payments by foreign shipping and shippers. In the fiscal year of 1932 tolls paid by foreign shippers were 53 percent of the total, those paid by United States ships in intercoastal trade were 33 percent, and those paid by United States ships in foreign trade were 14 percent.

In order to double the net return of approximately $11,000,000 paid last fiscal year, it would not be necessary to double the tolls, because the overhead and expense of its officers and management would not increase. Any increase of tolls above the present rates would go immediately to the net-profit account without being used for the necessities of the Canal and its management.

It is believed that a small percentage of increased tolls could be charged and thereby double the amount of the net returns of the Canal. If we increased its net receipts by $10,000,000, then it is plain that $5,300,000 of the increase would be paid by foreign shipping; that $3,300,000 would be paid by United States ships not in competition with foreign shipping; and that only $1,400,000 would be paid by United States ships which compete with foreign bottoms.

And an increase of $10,000,000 per year would be equitable because the bill will restore many times that amount to the shippers who will enjoy the use of this great engineering work. This item should be included within the bill, and any future investigation which the Ways and Means Committee may make for taxation purposes should include a careful examination of this subject.

I submit this for your future consideration, knowing that it cannot be incorporated within the terms of the present bill because of the special rule which the majority here adopted; which will keep off all amendments and all modifications, although they may be good ones.

The bill has much that is objectionable; nevertheless there are fifteen to sixteen millions of men out of employment, and these men must have bread. This bill is the only means which the administration has offered them to regain a job and a livelihood and a chance to feed their wives and children. Therefore we will pass it in the belief that it is a humanitarian measure and one that is forced upon us by necessity. The cry of our people for bread must be answered.

Mr. CROWTHER. Mr. Chairman, I yield 12 minutes to the gentleman from New Jersey [Mr. BACHARACH].

Mr. BACHARACH. Mr. Chairman, as is generally known, I am keenly interested in having a sales tax substituted for the tax provisions of the bill reported by the Ways and Means Committee and which we are not considering.

By the imposition of a moderate sales tax I believe we can eliminate the proposed increase in tax on incomes of individuals, the normal tax on corporation dividends, the three fourths of a cent gasoline tax; and, in addition, we could eliminate the following excise taxes of the Revenue Act of 1932 (all of which taxes are extended by this bill): Tires and tubes, amounting to $15,000,000; automobile trucks, $20,000,000; radios, $3,000,000; tax on banks checks, $40,000,000.

In my opinion, a manufacturers' sales tax of 2¾ percent will be sufficient to accomplish that result and raise the revenue called for in this bill.

It is absolutely unfair, as provided in this bill, that persons who are working for a living should be assessed a 50-percent increase in income taxes when those with incomes of $1,000,000 would pay an increase of only 3½ percent. If our Democratic brethren wanted to put an additional tax on all individuals, why not make it a straight 10-percent increase, which would have treated all taxpayers alike and bring in $60,000,000 instead of $43,000,000, as estimated receipts in the pending bill?

We are now taxing the dividends of corporations very substantially at the source under the normal tax, and they are also subject to the surtax. We talk about "spurting" up industry and increasing business under the first sections of the bill, and at the same time we seem to be determined to do everything we can to retard business instead of promoting it by the imposition of new taxes.

Mr. SNELL. Will the gentleman yield there?

Mr. BACHARACH. Yes.

Mr. SNELL. Did I understand the gentleman to say that if we put a straight 10-percent increase in the normal tax all along the line it would bring in more money and at the same time treat everybody exactly alike?

Mr. BACHARACH. That is absolutely true, because the receipts from income taxes for the fiscal year is estimated at $600,000,000, and a 10-percent increase would amount to $60,000,000, whereas under the increase in income taxes in the plan carried in this bill it is estimated to bring in only $43.000,000.

Mr. SNELL. And the increase would apply to all the people alike?

Mr. BACHARACH. Yes. Why do we talk for the sales tax? Canada has had a sales tax for over 10 years, and the present law carries a rate of 6 percent. It is working exceptionally well, is easy to administer, and the receipts are very satisfactory. They have had a sales tax since 1920,

and they have varied the rates from time to time as business conditions demand.

Under the proposed plan we would eliminate all taxes on clothing and medicines and on a number of other commodities. In Canada they have a long list of exemptions, but, on the other hand, they tax some things that I would not favor taxing. A year or two ago we had before our committee representatives of the Canadian Government, who testified as to the merits of their sales tax, and we sent our own experts to Canada to investigate their sales tax, and they reported that the Canadian tax was working exceptionally well. I know that the Members of the House who have gone to Canada and made a study of their sales tax have returned with the thought that Canada had a very fine system of taxation.

This is not a new fad with me or with many Members of the House who favor a sales tax. We all realize that we must raise by taxation the money necessary to run the Government, and in my opinion after trying many other schemes, the only fair and equitable way to do it is to adopt a sales tax.

Take the situation just disclosed by the investigation now being conducted by the Senate Banking and Currency Committee: There could not have been any such evasion of taxes under a sales tax, because after all it is the man with the most money that spends the most, and for that reason the Government would receive more money.

In addition to that, a sales tax is one of the easiest taxes to collect. In Canada, although it is a small country, the receipts vary from $40,000,000 to $100,000,000, and it never costs them more than 5 percent for the collection of the tax.

Now, I intend to support a motion which will be offered to recommit the bill to eliminate the taxes I referred to at the beginning of my remarks and substitute therefor a manufacturers' sales tax of 2¾ percent. I think we should find that after we once get such a law into effect—and remember that this sales tax is nothing new in this country—we have 48 States that now have a sales tax of one form or another—every State has a gasoline tax, and 15 States have other taxes in addition——

Mr. RAGON. Will the gentleman yield?

Mr. BACHARACH. I yield.

Mr. RAGON. I want to call the gentleman's attention to the fact that in this bill we carry a provision that after certain events occur—like the repeal of the eighteenth amendment and when the receipts of the Treasury are more than the expenditures, and we can afford to do it—this tax will pass out of the picture. Certainly we will know more about the repeal of the eighteenth amendment in 3 or 6 months.

Mr. BACHARACH. Then, I want to ask the gentleman, why did the committee propose a tax that cannot continue for more than a year?

Mr. RAGON. What tax is that?

Mr. BACHARACH. The general tax that you have put on—the excise tax.

Mr. RAGON. The excise tax was put on to broaden the base so as to give more confidence in the bonds. The gentleman knows that it takes some time to erect the machinery to collect.

Mr. BACHARACH. I am glad the gentleman called my attention to that. The sales tax, if it went into effect the 1st of July, by the 1st day of August we would begin to get the revenue. Under the present set-up in the bill, you will not get a dollar of new revenue until the end of March 1934. Now I want to call attention to the revenue to be derived from a 2¾-percent sales tax such as I have suggested. It is estimated that it would bring in about $313,000,000, based on present business conditions.

As a matter of fact, business conditions are improving so it is reasonable to expect that the revenue would be considerably more than that.

Mr. McCORMACK. Will the gentleman yield?

Mr. BACHARACH. I yield.

Mr. McCORMACK. Is it not a fact that in the last fiscal year, if we had had a manufacturers' excise tax of 2½ percent, excluding medicine and clothing and food, it would be sufficient, with the amendment proposed by the Ways and Means Committee.

Mr. BACHARACH. I think it would be.

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

Mr. BACHARACH. Yes.

Mr. HAINES. I am rather confused. The gentleman said a moment ago that he would exempt clothing and medicine.

Mr. BACHARACH. And food.

Mr. HAINES. The gentleman from Massachusetts [Mr. McCORMACK] includes food.

Mr. BACHARACH. That is correct. It was my intention to include that also.

Mr. HAINES. It was mentioned this morning by the gentleman from Wisconsin [Mr. FREAR] that it would take 2 years before a sales tax could be put into operation.

Mr. BACHARACH. I will say this much for Mr. FREAR. He and I have been on the Ways and Means Committee for a great many years. He has always been opposed to a sales tax and still is. I am friendly to a sales tax and have been ever since I have been in Congress.

Mr. HAINES. I voted against the sales tax last year, but I am rather changing my mind about it.

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

Mr. BACHARACH. Yes.

Mr. SNELL. The gentleman is a member of the Ways and Means Committee. What argument was used in the committee for extending this special discriminatory sales-tax provision of the bill in preference to a general equally distributed sales tax?

Mr. BACHARACH. The gentleman is speaking now about the extension?

Mr. SNELL. Yes.

Mr. BACHARACH. I would say that they slipped that over on the Republican members of the committee.

Mr. RAGON. Oh, I went to the gentleman personally myself and told him.

Mr. BACHARACH. After it was passed; yes.

Mr. RAGON. Oh no; I beg the gentleman's pardon. I told him before.

Mr. BACHARACH. Even so, no one else knew it.

Mr. RAGON. And the gentleman said it was all right.

Mr. SNELL. What were the arguments used that they should have these special sales taxes instead of a general sales tax?

Mr. BACHARACH. Of course, there is every reason in the world for that. The reason is that there is an election coming along next year, and for that reason the Democrats are putting it in this year. They are afraid to face the issue a year from now.

Mr. BRITTEN. Will any opportunity be given to the House to vote on a motion to recommit, including a manufacturers' sales tax?

Mr. BACHARACH. Yes. That will be done this afternoon. There will be a motion made to recommit.

In conclusion, I reiterate that the tax burden proposed by the bill is improperly distributed upon certain classes and certain industries, and that a fairer apportionment of such burden could have been secured by other proposals made to but rejected by the committee. [Applause.]

I have no criticism of the general features of the national industrial recovery bill. In the present emergency I cheerfully subscribe to measures which give reasonable assurance of providing for employment and for the revival of business. It must be realized, however, that the success of these general provisions of the bill depends more on their judicious administration than on the mere wording of the legislation. The President is faced with a tremendous task in executing the plans outlined in the bill.

To the taxing provisions of the bill, as contained in section 208, I cannot give approval.

Mr. SAMUEL B. HILL. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, my good friend from Georgia [Mr. Cox], at the outset of his remarks, said that he was fearful of the loss of many of his good friends in the House because of the position that he has taken against the passage of this bill. The gentleman need have no fear in this respect.

The position he takes evidences courage on his part, an adherence to his convictions, and a willingness to express his convictions, even when it is apparent that the great majority of the Members of the House differ from him. Instead of losing, my distinguished friend retains the many friendships that he has always possessed and strengthens the admiration that we entertain toward him, not only for his ability but for his courage. Courage is a necessary element of leadership. My friend possesses that element. Mr. Cox made another significant statement, that this is a very serious hour because of the magnitude of the problems that confront us. It is because of the fact that this is a very serious hour, by reason of the magnitude of the problems that confront us, that many who never expected a year or two or three or four or five years ago to ever vote for this kind of legislation are willing to vote for the passage of this bill at this time in the hope that it will tend to solve some of the problems that confront us today.

Last February the people of America were in a very disheartened state of mind. Lack of unity existed everywhere. There was no unity between the executive and the legislative branches of the Government; there was no unity in business, nor among the people generally; there was lack of confidence and a strong feeling of fear prevalent throughout the entire country. Since March 4—and I say this impersonally, not desiring to express myself at this time directly or indirectly in criticism of the last administration—the entire situation has changed. Unity exists between the executive and legislative branches of the Government; unity is beginning to assert itself in business, confidence has reasserted itself, and as confidence reasserts itself, fear begins to vanish from the minds of the people.

All of this has been because of the leadership of President Roosevelt. All of us cannot agree with everything that President Roosevelt recommends, but one thing is certain, and that is his program in the main has been the influence which has brought about the change in the minds of the American people which has occurred between March 4 and the present date. He presents to us this bill and asks the Congress of the United States to pass it in order that he might further carry out the program that he has in mind for the rehabilitation of industry and for the relief of the unemployed and of the distressed in the United States. The industry-control feature of the bill is probably the most important part of the program which he has in mind for the rehabilitation of industry and of our people. After listening to the evidence before the Committee on Ways and Means, I am satisfied to support this bill.

I do not consider it a delegation of legislative power, but as a statement of broad legislative policy, with the delegation of broad powers of discretion in administration to the President and to the executive branch of government. I am of the opinion that in the future the Congress of the United States, in view of the crowded conditions that confront us, in view of the rapid changes economically and socially that have taken and will continue to take place, in view of the force of economic law itself, we will be compelled to delegate more and more to the administrative unit broad discretionary powers of administration, with Congress outlining in a broad, general way the legislative policy which we think would be for the best interests of the American people.

This bill does not set up a dictatorship, and I make that statement with all due respect to any of my distinguished friends who have opinions to the contrary. This constitutes a broad delegation of administrative power, necessary to meet the emergency that confronts us. This is legislation to meet an emergency, not legislation that we are considering and passing during a normal period, but legislation to meet an emergency situation; and such legislation, in my opinion, should be flexible and elastic so that those through whose hands it is administered will have the discretionary administrative power to meet changes as they may occur. I subscribe to such legislation at this time. I think that in our own minds each and every one of us realizes that in these days it is for our best interests for Congress to establish the broad legislative policy and not to undertake to regulate every action on the part of the person or persons through whom the law will be administered. This particular bill states, in broad terms, the legislative policy and gives to the administrative unit, to the President of the United States, the only man in the United States whose constituency is the entire country, broad powers of administration. I subscribe to it in these days. In normal times I subscribe to broad delegation of administrative powers, as necessary from a practical angle, to meet the rapid changes that economic law has in the past and will in the future rapidly bring about.

Of course, I recognize there are two sides to the public works bill. I recognize that some feel that $3,300,000,000 is too high. I recognize that some men may feel honestly that it is deflationary. I do not say that I disagree with them in their opinion if they entertain it, but we have to give employment, we have to do something, as far as we can, in order that government itself, through direct activity, may relieve the unemployment situation in conjunction with those benefits that will flow from the passage of the first and primary feature of the bill—the control of industry. The exercise of the agency of government when necessary, as now, to control industry, or to enable industry to control itself for the general welfare, while unfortunate, is a proper exercise of its secondary functions. There is nothing radical about it. It is unfortunate that we have to resort to this kind of legislation; but in this crisis, with large groups of our people socially and economically affected, with no private agency remaining to cope with the situation, to control and regulate the situation for the common good and for the general welfare, there is one agency left, and that agency we are justified in resorting to; that agency is the Government of the United States.

This bill is consistent with the present predominating political thought. It is true that it is a step that practically all of us would not like to see ourselves compelled to take at this or any time, but the emergency calls for action. Private enterprise, private agencies have collapsed. They are unable to cope with the situation, and we must turn to government, and we provide for the use of the power and influence of government to enable business, for a period of 2 years at least, as provided in this bill, to regulate itself, if possible, for the common good and for the general welfare. If business refuses to do it, then we give to the President the power to compel industry to do what ought to be done.

I do not want to discuss the constitutional question because I realize there is a serious question involved. However, my mind meets with that of my friend from Ohio [Mr. JENKINS], that in this emergency the Supreme Court will recognize that the legislation is aimed at, and for this period aimed at the common good in a great crisis, and that they will construe this act from that angle, recognizing its necessity, its expediency, and its response to existing public opinion.

In the inability of private agencies to cope with a situation that threatens the general welfare there is only one agency that remains, and that is government. Under such conditions, in an emergency, we are justified, in fact, it is our duty, to resort to the use of such agency, if by the use and exercise of the powers of government we can bring favorable results for the common good. There are times when government must undertake some particular activity to assist affected groups, which, while not obligatory, is expedient or necessary for the general welfare.

The pending bill constitutes an unusual and extraordinary use of the powers of government, justified only by the conditions that exist; unfortunate, but necessary and expedient. This legislation must be viewed in the light of existing conditions. Viewing it as I do, with great regret that

exsting conditions compel me to do so, I consider it my duty to vote for such legislation with the hope that conditions will so improve in the near future that its continuance will not be necessary. It is not a question of our personal feeling with reference to such legislation. The primary question is, What is necessary for the general welfare of all the people? The general welfare is paramount to individual opinions, desires, or ambitions of any citizen or group of citizens.

The CHAIRMAN. The time of the gentleman from Massachusetts [Mr. McCORMACK] has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. McCORMACK. I want to speak briefly on the tax features of this bill. The President said that the tax features in this bill, taxes to raise the amount necessary to pay the interest and amortization charges, must be definite and certain. We all agree with that view. Taxes must be definite and certain. They must be definite and certain to assure the sale of the bonds.

The Committee on Ways and Means has reported an increase in the normal rates for incomes from 4 to 6 percent and 8 to 10 percent. The committee has recommended the normal income-tax rate being applied to dividends. There has also been recommended an increase of three quarters of 1 cent on each gallon of gasoline. These taxes are deflationary. Such taxes tend to limit the benefits which will flow from the public-works feature of the bill. The taxes reported are imposed upon people who are already overburdened. They are placed upon groups and classes of our citizens who cannot afford to stand any additional taxes at this time. Of course, they will, if these tax features are passed, but the effects will be very deflationary.

The purpose of the public-works feature of the bill is to expand. It has an inflationary objective—to expand construction and to relieve unemployment—and yet there are attached to the bill taxes which are deflationary and which will interfere with the maximum benefits that will be obtained from this feature of the bill if the taxes were not so deflationary.

Mr. DUNN. Will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. DUNN. Is this, in the gentleman's opinion, the best bill the Ways and Means Committee could report in order to give jobs to the unemployed?

Mr. McCORMACK. Of course we all have our individual opinions. I suppose I could sit down and write a bill that I would consider a better one. There are some provisions that could be improved upon, but we have to compromise at times. We have to give and take in legislating. Furthermore, let me say that the executive and legislative branches of government are responding to public opinion today.

The legislative branch of government is not supreme today. The executive branch of government is supreme in response to public opinion; and I subscribe to that public opinion in this emergency. I am willing to subscribe to a public opinion that will make the executive branch of government in these times predominant and the most influential so far as the public mind is concerned. The executive branch of the Government sent this bill up here. The President thinks it will accomplish the maximum amount of good. I may have different opinions in some respects, but I am satisfied to accept this representing our composite views, as the best that can be passed by this Congress.

To come back to taxation, three quarters of 1 cent a gallon is added to the tax on gasoline. Gasoline is already overtaxed. How are you going to answer to your automobile owner and others in your district affected by this tax? What about your middle classes, whose income taxes have been seriously increased and who will be affected also by the tax on dividends and by the gasoline tax? The middle class is the substantial class of the citizenry of any country. The middle class is the bulwark of sound and substantial government. Our middle class in the main represents the average persons who have climbed up the ladder of economic and social life, and as members of the middle class earn $4,000, $5,000, $6,000, $8,000, or $10,000 a year and pay their taxes. This is the class that takes care of relatives and friends who are less fortunate economically. This class has the greatest burden of any of the classes that pay taxes.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. McCORMACK. I am going to support the motion to recommit for a limited manufacturers' excise tax [applause] food, clothing, and medicine exempt, with a repeal of the tax on bank checks and a repeal of the special excise tax against automobiles, letting them come under the 2½ or 2¾ limited manufacturers' excise tax that will be the subject of the motion to recommit.

If I can be recognized by the Speaker, I intend to make the motion to recommit for a 2½-percent manufacturers' excise tax, food, clothing, and medicine exempt; repeal the tax on bank checks; repeal the excise tax on automobiles and accessories, to be placed in the category paying the 2½ percent in the motion to recommit.

Such a tax is the broadest possible and, therefore, the fairest in this emergency. The average person will be taxed considerably less under this method than by the taxes recommended by a majority of the Committee on Ways and Means. The taxes in the pending bill must be paid, in the main, by the middle class of citizens and by the worker. The person with an income in excess of $10,000 a year bears very little of these taxes. With food, clothing, and medicine exempt, the average person will have a slight burden imposed upon him in comparison with the burden imposed by the tax provisions of the pending bill. Furthermore, the imposition of the manufacturers' excise tax will create a feeling of confidence which will assure greater success in the sale of bonds necessary for the carrying out of the public-works program of this bill. A highly deflationary tax will be harmful to the success of the public-works program. While all taxes are deflationary, nevertheless, when necessary to impose them, particularly in an emergency, the least deflationary and depressing method should be resorted to. We are confronted with a condition and not a theory and, if necessary to cope with the situation, principle should be temporarily suspended.

I hope the Members will consider this and realize that the manufacturers' excise tax is the most equitable to impose at this time; the least deflationary in its character of any proposed. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. EVANS].

Mr. EVANS. Mr. Chairman, I propose to vote for this legislation.

I am not in accord with several of its provisions, and the gentleman who has just left the floor, the gentleman from Massachusetts, has very well expressed my views regarding some of the features of this bill, particularly the taxing features of it; and when his motion to recommit the bill is made, I shall vote for it. I favor a manufacturers' sales tax in lieu of the increase in normal income taxes. I am also against a further tax on gasoline.

I am going to vote for this bill, Mr. Chairman, entirely on the ground of the emergency with which we are confronted. I dare say that 3 years ago this legislation would not have received a dozen votes in this body, but today we are confronted with a condition that requires us to make many concessions in an effort to meet them. One provision of the bill I am heartily in accord with, and that is that it expires in 2 years.

I have a telegram here that I received yesterday from the chairman of the relief committee of the county where I live. This is typical of conditions that prevail generally throughout the country but probably somewhat accentuated in southern California by reason of certain climatic conditions that attract people to that section of the country at certain seasons of the year. The chairman of the relief

committee wired me yesterday that in Los Angeles County there are 110,000 families being fed daily, with an average of 3.9 persons to the family, making a total of approximately 430,000 people being helped daily by charity. This condition has placed on the people of this section a tremendous hardship which they cannot bear indefinitely.

The people of that county during the past 10 months, according to this telegram, have spent $20,000,000 of their own funds, and they have pending in that State at this time an election to be held on June 27 calling for a bond issue of another $20,000,000 with which to meet this emergency.

These are the conditions which prompt me, if you please, to support this measure. I dislike to confer on any board or commission such arbitrary powers as are conferred here, but I can afford to yield much when the relief of human suffering is at stake.

May I say, Mr. Chairman, I am voting for this measure with no illusionment that it is going to solve the problem entirely. It may, and I think it will, do a great deal toward helping the situation. A year ago, if you remember, Congress authorized through the Reconstruction Finance Corporation loans to the total extent of $3,800,000,000. Up to this time the Reconstruction Finance Corporation has advanced money in different forms to industry in the sum of $2,600,000,000, and this money has already gone into circulation to a large extent for the purpose of relieving unemployment; yet it has hardly made a dent in it. A year ago it was said we had 11,000,000 people out of employment. Today it is said we have anywhere from 13,000,000 to 14,000,000 out of employment. We do not know what the extent of unemployment would have been had it not been for the steps we have taken; but no Member of this House should vote for this bill believing it is going to entirely solve the problem, because, after all, while this legislation calls for $3,300,000,000 in advancements, it actually provides only $2,100,000,000 more than is already available. Provision is made in the bill for the discontinuance of the functions of the Reconstruction Finance Corporation, and any margin left in the Reconstruction Finance Corporation in the way of loaning power is transferred to this new organization. The loan powers left in the Reconstruction Finance Corporation amounts to $1,200,000,000, and this is merged into the $3,300,000,000 provided for in this bill.

So, as a matter of fact, we are only making available an additional sum of $2,100,000,000 instead of the $3,300,000,000. I shall vote for the bill, and hope it will be enacted into law. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 7 minutes to the gentleman from New York, [Mr. WADSWORTH.]

Mr. WADSWORTH. Mr. Chairman, obviously, it is impossible, in a period of 7 minutes, to even attempt to discuss the provisions of this extraordinarily important measure, a measure which contains three separate and distinct proposals, as I see them.

In approaching a discussion of it, brief as this discussion of mine must be, I cannot help giving some consideration to what might be termed the power of hysteria. Most of us have lived through at least one period of political hysteria. By this I mean hysteria and excitement which inevitably accompany a state of war and which, certainly, characterized the atmosphere in America during the World War. There have been other periods prior to that time of a similar character. In reading the history of my country I note that immediately following the Civil War such a spirit seized upon great multitudes of people. This had its effect in the so-called "reconstruction period", a most distressing and disastrous effect, and one which we now greatly regret.

Out of the hysteria and the excitement of the World War came the eighteenth amendment to the Constitution. I think no one will contend that had it not been for that excitement the eighteenth amendment would not have been submitted by the Congress nor ratified by such a number of States. It has taken 14 years, practically, for us to retrace our steps toward a correction of the ghastly error committed in 1918 by the ratification of that Amendment. [Applause.] It has been a long battle, waged around a fundamental question of government, and for one I rejoice that that battle is about to be won. I think I am not wrong in saying that today we are in a period of excitement and hysteria. It is easy to understand why this is so, and I am leveling no criticism at the American people or their representatives in any capacity.

I have been wondering, as I endeavor to be philosophical about these things, what would emerge from this period which would involve, eventually, and perhaps sooner than most of us expect, another great battle on a fundamental question. I am now led to believe that title I of this bill will seize the attention of those who have some regard for the fundamental principles of our Government and Constitution and that around it and whatever may follow it in the way of future legislation will wage one of the greatest battles politically that the country has ever known. I may be wrong about this. It is dangerous to prophesy. Time alone can tell, but I think I am right. The gentleman from Pennsylvania [Mr. BECK] spoke his convictions upon it yesterday and demonstrated to you the extraordinary importance of it from a constitutional standpoint. I shall not attempt to discuss it from a constitutional standpoint. I am not a lawyer, and, as my good friend, George Moses, of New Hampshire, once said, I have not even been admitted to the bar. [Laughter.] But it strikes me that the gentleman from Illinois [Mr. KELLER] struck the keynote of this whole situation when he said yesterday in relation to this measure, "We ought to understand that what we have always held as individualism in America has come to an end."

I think his analysis of the purpose of this measure is correct. Individualism in America will come to an end if legislation of this type and character is placed upon our statute books and kept there. I know it is contended that this legislation is meant to be kept in force but for 2 years, but, Mr. Chairman, many of its supporters and some of its authors have every hope and conviction that it will become the permanent policy of America. Certainly the gentleman from Illinois [Mr. KELLER] believes so. Certainly my good friend, Senator ROBERT F. WAGNER, believes so. He is one of the principal authors of this bill and made the statement in a hearing before the Senate committee that when the 2-year period expired undoubtedly the legislation would be continued in effect; if not in this exact form, in some form very similar to it.

So I think we cannot console ourselves in the belief that this is simply temporary. For this represents a school of thought becoming more influential in America, a school of thought which has gained force and adherence as a result of this depression but whose adherents are looking far beyond the termination of this depression and are intent upon transforming the whole picture—industrial, political, and social—of American life.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman from New York 2 additional minutes.

Mr. WADSWORTH. The end of individualism in America! I cannot help but believe that this means the end of real liberty and the substitution of bureaucracy—the hard, heavy, cold hand of bureaucracy—upon the daily lives of millions and millions of Americans.

If this shall be the policy adopted here, and continued hereafter, then, indeed, I am sorry for my sons and their sons, for they and their contemporaries will have to live in a country whose people shall be regimented, controlled, guided, and, finally, compelled to adopt whatever methods of life government imposes upon them.

You may think that I am exaggerating the possibilities of this situation. I think I am not, if I understand the tendency of this legislation and the intent of those who are its principal authors and defenders. This is but the beginning. It is the beginning of one of the greatest political battles in our history, a battle to be waged around a fundamental question of government. Should this legislation go

to the statute books and 2 years hence be repeated, as certainly a determined effort will be made to have it repeated, then this battle will start. And it may take up another 14 years to correct another ghastly error in government emanating from a period of hysteria. [Applause.]

[Here the gavel fell.]

Mr. COOPER of Tennessee. Mr. Chairman, I yield 15 minutes to the gentleman from Arkansas [Mr. RAGON].

Mr. RAGON. Mr. Chairman and ladies and gentlemen of the Committee, I listened with a great deal of interest to what the gentleman from New York [Mr. WADSWORTH] said, and if we were in anything like normal condition in this country and in the world I should feel disposed to share his opinion. But I am not willing at this time to wrap the conditions of this country in the cold legalism of an inflexible Constitution, made at a time back when our forbears wore silver buckles on their slippers, long stockings, knee breeches, and powdered wigs. [Laughter.]

We are in a condition worse than any we were ever placed in before in this country. The gentleman from New York speaks about the reaction following different wars that we have had. I would call his attention to the fact that is well known by every man who walks up and down the streets of our cities and highways of our rural communities, that never has such an economic condition ever confronted this country in all its history.

We granted in war time powers to the President greater than we are giving by this bill. Men lifted up their voices in the well here against that delegation of authority as we have in this bill. They saw the same catastrophe in the future.

But when the occasion for these extraordinary powers had passed we lapsed back into normal exercise of the powers under the Constitution of the United States.

Now, I think the Constitution of the United States is one of the greatest documents that was ever penned by man. I have always viewed the greatness and the very genius of the Constitution to be found in the fact that it was a flexible Constitution. I never viewed it as an inflexible document. I have always thought that my Constitution could reach down and take us out of the condition we are in now, and do it immediately.

Certainly the fathers of the Constitution, living in that time when we were 30 days from Europe, when a steamboat whistle might have frightened Thomas Jefferson and George Washington nigh unto death, certainly they looked into the future and drafted a Constitution that might meet the necessity of today.

Now, I am used to hearing the oratorical efforts of my friend from Pennsylvania, but let me say that he was well answered by another gentleman from Pennsylvania. I have listened to the gentleman from Pennsylvania [Mr. BECK] and I am indebted to him for many pleasant hours that he has spoken on the Constitution. I am used to hearing the legalistic paroxism of my friend from Georgia, who uses them against practically every bill that comes up. But I refuse to dress my Constitution of the United States with the silver buckles, the long stockings, and powdered wigs of 150 years ago. [Applause.] If they had been here when the antitrust law was passed in the nineties, they would have howled that Congress could not pass such an act because it was unconstitutional. Now they come in here for the sake of industry, for the sake of labor, for the sake of agriculture, and ask, not for the repeal of the antitrust law but for the suspension of a law that has proved to be for the disadvantage of the economic conditions of this country. They receive from some Members the cold consolation that someone believes it is unconstitutional. This bill sets up the standards by which the President shall act. For the purposes of this bill he becomes the agent of Congress. He simply pursues a course we direct and follows a path which we blaze out.

That is all there is to it. They can holler unconstitutionality all they want to, but when they end up they will be just like the gentleman from Pennsylvania [Mr. BECK] who practically admitted yesterday that the Supreme Court would hold the bill constitutional.

The idea of this bill is to stop the fellows who are exploiting the sweat and blood of American labor. We had an illustration in one of our States of a certain manufacturing concern. There were gentlemen on the committee from that State. The proposition was brought up by a great manufacturing concern coining advantage out of the desperate condition of their laborers.

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

Mr. RAGON. Not now. The concern said to these people, "If you come in here and work for 50 cents or a dollar a day, then we will open our mills and give you an opportunity of employment." What is to be the reply of the great breadline that is living off the cold and merciless charity of the world? They went in of course, and what was the result? Those industrial racketeers went into the markets of this country and practically put out of business every industry of a similar nature. Do you want to continue that? Is that square shooting? No. It is the purpose of this bill to stop such things as that.

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

Mr. RAGON. Not now. The gentleman from New York [Mr. WADSWORTH] said a while ago that this was the building up of a plan. Knowing some of the gentlemen who are back of this, and knowing their antipathy to bureaucratic government, I say that is the furtherest-flung piece of argument I have ever listened to. The bill provides specifically for a 2-year tenure of this industrial act. I have not the time to go farther as I should like to into a legal argument on this, but I shall pass on so that I may give the House some information upon the tax question.

As suggested by several speakers here, when we got down to the financing of this public-works' program a number of different ways were suggested by which it might be done. If you are going to set up a bond issue of this amount, the all-important thing in the issuance of the bond is the setting up of a certain, definite revenue base for the retirement of those bonds. If you do not do that, what will happen? You will have difficulty in the first place in negotiating the sale of those bonds, and whenever you have that, you will have to sell them at a reduced price, and when you sell them at a reduced price you have a reflected influence on other Government bonds. Then you have a further influence upon your Federal Treasury. So, unless you get a definite and certain revenue base for this bond issue, I would not vote for the bill, because it would be too dangerous if you did not do that. Several suggestions were made. One suggestion was to issue paper money to pay this. We have already empowered the President with a tremendous power for expansion, and I see there has been inaugurated a controlled expansion of currency that is having, as I said, a good effect, but to turn loose on this country $3,300,000,000 of uncontrolled currency is too dangerous. It is entirely too dangerour to our Treasury and to the welfare of our people to think about it. My friends on the Republican side, and my friend from Massachusetts [Mr. MCCORMACK], suggested a sales tax. I think just here it should be said that the minority members of this committee, the Republicans, worked shoulder to shoulder with us in the preparation of this bill, every word of it, and the only variance we had was upon the sales-tax question. What about a sales tax? I am willing to go down the line for a sales tax if you cannot do it in any other way. Listen to this significant statement. Mr. William E. Green, president of the American Federation of Labor, whose opposition to the sales tax is well known by every American, said:

> Gentlemen, I say to you as members of this committee, that this bill is so important to the economic welfare of this country that I would agree to any kind of a tax, including a sales tax, but give the people of this country this bill.

That was echoed by Mr. Harriman, the president of the chamber of commerce, the voice of industry in this country. That statement was practically made also by Chester Gray, the representative of the American Farm Bureau, and, with the exception of the sales tax, was practically made by a representative of the American Grange.

What about the sales tax? The testimony we have before us and the testimony we had a year ago was that it would

take a rather cumbersome piece of machinery to put it effectively to work. In order to keep the sales tax from being pyramided, you have to go into a system of licensing; and you cannot put this in operation in any 30 or 60 days. That is my contention. Then, again, it is well to remember that about 24 States of the Union have passed legislation enacting a sales tax. New York, for instance, has recently put on a 2-percent sales tax. I think Mississippi has a 2-percent sales tax.

Mr. WHITTINGTON. Three percent.

Mr. DOUGHTON. And North Carolina has one of 3 percent.

Mr. RAGON. And that is a direct retail sales tax that you pay for when you buy your piece of cheese in a grocery store. There is no doubt about the fact that a manufacturers' sales tax for the first 4 or 5 months will necessarily and naturally be pyramided.

All right. If you put 2½-percent sales tax on now, including the possibility and probability of pyramiding it, what will you have in North Carolina? You will be putting on those people, in practical effect, a 6-percent sales tax. I do not think you should do it. I think you should take into consideration also this fact, and I am saying this as a man who has always supported the eighteenth amendment. I voted for its submission, but I am saying to you frankly I do not think it will be 12 months before that amendment will be repealed. I am giving it 18 months at the outside. I have been in politics long enough, I think, to understand the public sentiment and public thought, and I think the eighteenth amendment is doomed, and I think it is doomed inside of 18 months.

The CHAIRMAN. The time of the gentleman from Arkansas [Mr. RAGON] has again expired.

Mr. COOPER of Tennessee. Mr. Chairman, I yield to the gentleman 5 minutes which has been allotted to me.

Mr. RAGON. I thank the gentleman very much.

Now, gentlemen, the moment the eighteenth amendment is voted out of the Constitution there will rise up all of the old revenue laws that touched the liquor traffic, and when that is done it will bring in anywhere from $250,000,000 to $300,000,000, in addition to the present tax on beer as we have it. So why go to the trouble of setting up this cumbersome machinery for the collection of a sales tax, which you may not need in 12 months, and with the possibility of continual pyramiding on the part of anyone who touches it? I say to you it is not good business, nor is it good business sense.

The committee considered all those things, and in light of the facts before it, we decided the best thing was the taxes we put in.

Mr. CONNERY. Will the gentleman yield?

Mr. RAGON. I yield.

Mr. CONNERY. I am always pleased to listen to the gentleman, but I was wondering why the Ways and Means Committee has used 3½ hours and the Chairman of the Committee on Labor cannot get one minute to explain what happened to the 30-hour week? [Applause.]

Mr. RAGON. I thought the gentleman would get his time on the other side.

Mr. CONNERY. I cannot get it on either side.

Mr. RAGON. That is the side the gentleman should get it from.

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

Mr. RAGON. I yield.

Mr. DUNN. Does the gentleman not think this bill would go far to wipe out the sweatshops in the United States?

Mr. RAGON. There is no question in the world about it.

Mr. DUNN. If it does nothing else but that, it is a damned good bill. [Laughter.]

Mr. RAGON. Now, the normal tax in this bill on the first $4,000 is increased from 4 percent to 6 percent. From $4,000 to the top it is increased from 8 percent to 10 percent. Some have said we only increased it 20 percent—all the upper bracket. I think if you will figure it out you will find it is 25 percent.

Then we put a tax on gasoline. That is irksome to us all, I know, but it is a tax that is absolutely certain.

Now, let me tell you this much more. The tax on gasoline, under this bill, gets more favor than any other industry that the bill touches for this reason: I am acquainted very well with the oil industry in this country. Every man here from an oil State knows the dilapidated and wrecked condition of the oil industry. They are looking forward to this bill to give the President power to bring the recalcitrant oil firms in under one of these agreements, a mandatory agreement, in order that they can limit production, as many of the States want to do, but find they cannot do, as well as to even up the industry and make every man share alike its burdens and everyone enjoy its advantages. That is one good thing for the oil industry.

The next thing is there are $400,000,000 carried in this bill for the purpose of construction of highways in this country. That, my friends, goes more to the advantage of gasoline than any other feature of the bill.

Now, this bill comes from the White House. Let us say that frankly. This bill is the composite of four men who sat around the table together and took the propositions submitted from labor, from agriculture, and from industry, and molded them all into this one bill. It is not the product of the minds of four men. I dare say it is the product of the minds of 400 men, and it is brought down here to us as a bill that we think will do more toward the rehabilitation of industry than any legislation yet proposed. Listen, my friends. We have been hollering here what we were going to do for these 12,000,000 idle people in the United States. The time has come to either fish or cut bait. You may not like the bill that is brought in here by this committee. My friend from Pennsylvania seems to have a distaste for General Johnson as administrator, and he is the only man I have ever heard who ever reflected on the ability of General Johnson, who is one of the strongest characters I ever met. You may not like him and you may not like Lewis Douglas, but, my friends, back of this proposition I put to each of you, I would burn it into your conscience and your minds, if you do not do something in this bill, in the name of Him that paints the lily and guides the sunbeams, what are you going to do for the 12,000,000 hungry men and women, little children, if you please, holding up their hands in supplication to you? They say to the man in the White House, "Our faith looks up to thee." What are you going to do about it? Oh, we may not like this, we may not like that, but, gentlemen, there is one thing certain that around the interest of the common man in this country there is rotating the heart of a great and good man in the White House. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I wish to say that the Ways and Means Committee of the House will be the loser by the ascendency to the judiciary of the gentleman from Arkansas [Mr. RAGON], who has just spoken. [Applause.]

I yield 3 minutes to the gentleman from Wisconsin [Mr. BLANCHARD].

Mr. BLANCHARD. Mr. Chairman, of course, it is useless to attempt to cover a subject of this importance in the 3 minutes allotted. There were some phases of the bill I wished to discuss. I shall refrain from doing so and content myself with the statement that I should have liked the opportunity to have discussed the subject of taxation, and likewise should have liked the opportunity to have at least proposed some amendments to the taxation feature of the bill.

I dislike especially the increases in income tax on the moderate incomes and likewise the increased tax on gasoline. These taxes can only add new burdens to the people who can least afford to bear them.

Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Chairman, in the short time at my disposal I wish to discuss the taxation features of this bill, and more particularly the tax on gasoline.

The taxation of gasoline in this country by Federal, State, and municipal governments has gotten to be nothing less than a racket. It has gotten to the place where today if you base it upon the wholesale price of the product the average State tax plus the Federal tax amounts to a total rate of 240 percent, and based upon the average retail price it imposes a sales tax of 48 percent.

We are invading a field which has been preempted by the States to the extent that 37.9 percent of all the taxes raised in the States of this country—that is, State taxes—are taxes upon automobile transportation, and over half of these taxes are taxes upon gasoline. Thus almost one fifth of all State taxes are raised from gasoline.

I object to this tax particularly because it is another tax upon the already tax-burdened farmer. He has to bear the burden of this tax to a greater extent than any other industry. The farmers of this country use practically 25 percent of all the gasoline that is consumed, and I call the attention of those who represent agricultural sections that in some of the agricultural States the farm consumption of gasoline for motor vehicles and tractors is more than half the total consumption of gasoline in those States. The farmer does not use gasoline for joy riding. He uses it because tractors and motor transportation with him have become a necessity.

The gasoline tax is a tax the farmer is not in a position to pass on. It is a part of his production costs, and for several years now he has not been making the cost of production. In other words, he has been living off of capital instead of income.

Now let me conclude by calling to your attention the fact that there appeared before this committee when the tax features of this bill were under consideration representatives of several great agricultural organizations; and they were very emphatic on this occasion, as they have been in the past, in opposing this tax upon gasoline and in stating that it meant placing a new burden upon the American farmer at a time when he is least able to bear it.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield to the gentleman from Michigan [Mr. DONDERO].

Mr. DONDERO. Mr. Chairman, it is proposed by the pending bill to issue bonds of $3,300,000,000. Of this amount, $400,000,000 is to be allocated for the construction of highways. Under the old method or former method of alloting this money among the several States, known as the "Federal Highway Act", one third was allotted on the basis of population, one third on the basis of area, and one third on the basis of public-road mileage. Under the present bill this is to be changed. It is not to be allocated in that manner; neither is it to be allocated on the basis of unemployment. The bill provides that three quarters of the money shall be allocated on the basis of the Federal Highway Act and one quarter on the basis of population. This means that one half of the $400,000,000 would be expended on the basis of population, one quarter on the basis of area, and one quarter on the basis of public-road mileage. In my own State this would mean a loss of approximately $800,000, and it is interesting to note that the Empire State of New York would receive under this plan $25,400,000 for its 12½ million people, while the State of Wyoming would receive $4,000,000 for its 225,000 people. There are 60 times as many people in the State of New York as there are in the State of Wyoming, but New York would receive only six times as much money as Wyoming.

Nearly 80 percent of all of the automobiles made in the United States are manufactured in or near the district which I represent in Michigan. It would cost each year $26,500,000 interest on the $400,000,000 allocated for the construction of roads, which everyone knows is an expenditure directly connected with the automobile industry.

That industry now has become the largest industry of the United States. This bill asks that industry not to pay just twenty-six and a half million dollars to cover the interest on the amount of money allocated to it by this bill, but it asks that the automobile industry shall yield $92,000,000 per year, or four times the amount of the carrying charges for the money given to that industry, and it is interesting to note that of the total amount of carrying charge or interest on this huge amount, amounting to $220,000,000, 42 percent is directly chargeable to the automotive industry of this country, which is an unfair and unjust discrimination against the greatest industry in the land today.

It is interesting to note that since the Federal Government has imposed a tax on motor vehicles, that $1,263,000,000 has been paid into the Federal Treasury, while the Government has returned or distributed to the several States as aid toward the construction of roads $1,190,000,000, or $73,000,000 less than it has received from this particular industry. This is proof positive that the automotive industry has paid its way and more. Therefore, I believe that the additional tax of three quarters of 1 percent on gasoline, and the continuation of the 1-cent tax for another year, is a severe blow to the industry and will tend to decrease its volume and sales and it will cause unemployment instead of putting more men to work. I may add that motor vehicles have paid 37⅞ percent of the total or gross revenue received by the States of the Union.

I say that the industry cannot stand this added burden and that it will do more harm than good.

If we really desire to balance the Budget without adding this enormous sum of $220,000,000 per year on the taxpayers of the country, I should like to have someone explain, who may be better informed on monetary matters than I am, why the Government could not issue sufficient money with which to pay the $7,000,000,000 of Liberty bonds and thereby save the people of the Nation $280,000,000 per year each year in interest.

It is my hope that a motion to recommit this bill might prevail in order that this injustice and discrimination to America's greatest industry may be corrected. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from Minnesota [Mr. CHRISTIANSON]

Mr. CHRISTIANSON. Mr. Chairman, I have listened with great interest to the able gentlemen who have discussed this measure. There is much in the bill, and in the motive behind it, which must command my support; but there are also provisions which do not have my approval. I find myself very much in agreement with my distinguished colleague, Mr. KNUTSON, who, as a member of the Ways and Means Committee, proposed that the public-works program be financed without adding to the already too heavy bonded indebtedness of the Government.

Yesterday I voted against the adoption of the rule under which we are working, for I believed that an opportunity should be given the Members of this House to change the revenue provisions of the bill. I am sure that if an opportunity had been given to offer amendments, Members, irrespective of party, would have voted to change the provision which increases the burden of the small taxpayer 50 percent, and that of the man with an income of $1,000,000 a year only 3½ percent.

I hope that it may not be too late even now to make a change. Events have happened within the last few days, in the very shadow of this Capitol, which have altered the situation which confronted the Ways and Means Committee when it began consideration of this bill. Disclosures have been made of the methods by which men receiving great incomes evaded their taxes, not in part but in whole. It has been shown that the most powerful banking house in America, if not in the world, made no contribution whatever to the support of the Government in 1931 and 1932, and practically none in 1930. Advised by adroit lawyers, the masters of high finance found loopholes in the income-tax law through which they were able to make their escape. By offsets and deductions, by the devious device of setting up the right losses at the right time and in the right way, they were able to show that, technically they had no incomes.

I do not believe that the Ways and Means Committee, had it had the knowledge since disclosed, would have recommended that the public-works program be financed by increased taxes on the rank and file of the people—those of

small incomes who are already overburdened. I do not believe that this committee, composed of just, honorable, and thoughtful men, would have voted to exact 7½ cents more from the workingman who puts 10 gallons of gasoline in his modest automobile when he leaves for a week-end trip into the country had it known that the great banking house of J. Pierpont Morgan pays not one dollar of tax upon its income.

When the committee framed this bill it was confronted by a Treasury statement showing that despite increased rates and lowered exemptions the income tax had returned nearly $300,000,000 less in 1933 than during the corresponding period in 1932; but it did not know some of the reasons for this shrinkage. It had not had opportunity to consider how income-tax receipts in the higher brackets could be greatly increased by repealing the provisions which allow deductions for capital losses.

The situation has changed, and therefore I believe that in fairness to the committee we should recommit this bill, with appropriate amendments, so that it may be reconsidered in the light of evidence which was unavailable when its taxing provisions were framed. If we fail to do this, we shall be unjust, not only to the members of the committee, but to ourselves; for we shall place ourselves in a position where we cannot vote for a measure highly essential for the economic rehabilitation of the country without also voting for the continuance of an inequitable tax system which robs the poor and exempts the rich.

If we undertake to finance unemployment relief by imposing increased taxes upon the people whose modest incomes now suffice only to meet their bare needs, we may fool ourselves, but we shall not fool our constituents. Of how much avail will it be, as a measure for creating employment, to take away from the family man with only $3,000 income, $10 a year in addition to the tax he already pays? The net result will be that he will have $10 less to spend for food, clothes, shoes, and other necessaries. There will be $10 less flowing into the channels of trade and commerce. There will be $10 less available for wages for men who produce food, clothes, shoes, in order that there may be $10 more available for wages for other men, who carry mortar and lay bricks. There will be no increase in the total of purchasing power, no increase in the volume of business. There will only be a shifting of activity, which will result in slow and continuing starvation of the businesses in which most people are normally engaged, and a sudden but brief gorging of the construction business, which furnishes employment to only a small group. Such a program, instead of restoring normality, would still further unbalance our lop-sided economy.

We are only robbing Peter to pay Paul, if we finance public works by levying additional taxes upon those who already put all they earn back into consumption.

This legislation will not accomplish its purpose unless we recruit for the battle against depression those dollars which do not now do their full duty, the slacker dollars hiding in the safe dug-out of unspent and unspendable accumulation, the dollars which do not buy goods and commodities, the dollars which do not hire men, the dollars which shirk taxes.

Personally I believe that we should finance the public-works program without issuing any more tax-exempt securities, without furnishing additional bombproof retreats for slacker dollars. We have voted to give the President power to issue currency. Let him issue $3,300,000,000 of it, and let us provide an annual retirement tax of $132,000,000 to redeem the currency in 25 years, and let that tax be paid, not by those who already pay too much, but by those who now pay nothing.

But if we are not yet ready to adopt the direct and sensible expedient of financing the public-works program and restoring to the money of the people its former value, at one time and in one operation, then I ask in the name of the overburdened people who have no smart lawyers to teach them how to evade their taxes, not to place the whole weight of reconstruction on those whose backs are already bent, but to make those who in the past have shirked their responsibility make up for their defaults, even to the extent of contributing out of their accumulations. There is no reason why those whom another Roosevelt would have called "malefactors of great wealth" should be allowed to escape with all their loot intact.

Do not spare those who by their unbounded greed and ruthless power have brought this curse upon the country.

Let those who have wrecked America help rebuild it!

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. WELCH].

Mr. WELCH. Mr. Chairman, I am heartily in favor of the bill now before the House for consideration, referred to as a bill to encourage national industrial recovery. I welcome the opportunity to vote for a measure that, if enacted into law, will bring relief to millions of the unemployed in this country, which, according to Mr. William Green, president of the American Federation of Labor, now exceeds 13,000,000.

First, the bill provides for an appropriation of $3,300,000,000 for public works and construction projects; and, second, reduces the hours of labor through administrative agencies, as provided for in title 1 of the bill.

Two years ago, a sincere effort was made by a number of Members of the Senate and was supported by a group of Members of this House to secure an appropriation of several billion dollars to provide public work to stem the tide of the depression and, at this time, Mr. William Randolph Hearst proposed, as a remedial measure, a bond issue of $5,000,000,000. I heartily and promptly endorsed that method of relief because I recognized in it a sincere effort to relieve suffering and put men back to work, and so stated on this floor at that time.

Our country today is faced with a condition unparalleled in the 150 years of its history, and threatens the breaking down of our present economic system. In this, the wealthiest of all nations, there are more than 13,000,000 capable workers with millions more of their dependents who are suffering because of unemployment.

We are in the midst of the most violent and sudden economic changes our country has ever experienced. To adjust ourselves to these changes a new social policy must be adopted. Of all the principal measures advocated for this purpose, those that provide shorter hours of labor offer the most logical and direct steps without placing an additional burden on the Public Treasury.

Mass production made possible by the progress of mechanical invention and by the application of high-geared efficiency created a new era and changed this Nation from a static agricultural to a dynamic industrial country. This notable change is reflected in the fact that during the 10 years preceding the depression not 1 percent of all foreign immigration into the United States has settled upon the farms. The consequent growth in urban industrial centers has raised certain unforeseen and difficult problems. We cannot stop progress. We must recognize that we are living in the machine age. We must deal with the fact that the economic status of the workingman has been profoundly affected. There is today a labor-saving device for every branch of industry. This condition has displaced millions of working men and women and has been one of the primary causes for the serious unemployment condition of this present day.

The workingman is not responsible for these present conditions of unemployment. The dynamics of a mechanical age is the cause. In 1929, the last so-called "normal year", the railroads of this country were operated by 250,000 fewer employees than in 1920. Since the depression, commencing in 1930, several hundred thousand railroad employees have been added to this list. Synchronized music has displaced over 9,000 musicians, many of them artists of notable talent. The number of mechanics employed in the manufacture of automobiles, including bodies and parts, between the prosperous years of 1925 and 1927 was decreased by 56,796. Still further decreases were made between the years 1926 and 1929, regardless of the fact that more automobiles were manufactured in 1929 than in 1926.

In the men's-clothing trade a power machine operated by not more than two persons displaced 200 skilled clothing cutters. In the iron and steel industry, on an average, 1 man now does the work that 45 men used to. On a trans-Atlantic liner there used to average 120 stokers; now 3 men do this work, dressed in spotless white, by merely turning a valve. The New Edison Co. has installed an automatic mechanism that operates an electric distributing station which supplies enough power to light 300,000 homes without one human being in the plant; an operator 3 miles away handles the switch and has perfect control at all times.

Students of agriculture tell us that while it took 3 hours of human labor to produce a bushel of wheat in 1900, in 1932 three minutes of machine labor will do the same thing. The relation is 50 to 1. Thus mass production, stimulated by mechanical invention, has taken its toll of man power in every industry. This displacement must be compensated for by a 30-hour working week to avoid the disaster of widespread unemployment on the one hand and overproduction on the other.

Thus, mass production stimulated by mechanical invention has taken its toll of man power in every industry. This displacement must be compensated for by a 30-hour working week if we are to avoid complete disaster.

Are we to go on displacing men, taking millions of workers out of the consuming market, constantly increasing our facilities and powers to produce without developing a market corresponding with our ability to produce? There was not enough attention paid in the past to the market situation, the adjustments that were necessary to absorb these men who were constantly being displaced. We have absolutely failed to adjust working time corresponding with our increase in the facilities of production. We have gone ahead attempting to work 6 days a week and 8, 10, or 12 hours per day under the new order just as we did under the old. We have not enough work to keep men employed 6 days per week, 8 hours per day and 10 hours per day. That is out of the question because of the wonderful mechanical development that has made men more efficient. Furthermore, there must be an adjustment of the working time in order to take up the slack of unemployment caused by the depression.

Mr. William Green, president of the American Federation of Labor, in testifying before the Committee on Labor on the 30-hour week bill, stated as follows:

> Even though we could by the exercise of some magic wand establish the favorable conditions of prosperity of 1929 on an 8-, 10-, or 12-hour day, as prevailed, and the long work week, we could not absorb more than 55 percent of our unemployed, and that we would still be menaced by a large standing army of unemployed. It is simply impossible to reemploy the idle unless you reduce the hours of labor. Mechanization and increased use of power has effected that condition. This is the basis of it all.
>
> Yes; I have repeatedly said that we must either bring the unemployed back into employment by reducing the hours of labor, making such adjustments as are necessary, so that these adjustments will conform with the increased efficiency of the workers, caused by the mechanization of industry, or support a large, permanent, standing army of unemployed. Idle workers must be given employment through the 6-hour day and 5-day week, or we must support a large standing army of unemployed.

Mr. Chairman, these economic changes and this displacement of man power call for important readjustments.

There are two schools of thought dealing with the problem. First, there are certain groups of industrialists and employers of labor who, for their own selfish interests, are taking advantage of unemployment and the surplus in the labor market to bring down the standards of wages and of living. These misguided men, referred to as cutthroat industrialists, if permitted to do so, would gladly reduce all labor to the condition of serfdom which unfortunately exists in certain sections of this country.

In contrast to this selfish school of thought, we have the advanced humanitarianism fostered by American working men and women who maintain that one of the primary functions of the Government is to protect life and make it easier and happier for the toiling masses who are so deeply responsible for the production of this Nation's wealth. Fortunately for all of us, the example of this intelligent humanitarianism is felt in many spheres of industry; thank Heaven, there are many enlightened employers in this country who are working with public and civic bodies and with organized labor to stem the tide of reaction.

Mr. Chairman, I have referred to the Black-Connery 30-hour week bill. I do not hesitate to state that the Senate bill 158, unanimously reported to this House by the Committee on Labor, to which it was referred but which did not contain a public works and construction program, was otherwise a far superior and better balanced bill than the bill now under consideration. The Black-Connery bill gave protection to American industry and American labor and protection which unfortunately is not provided for in the bill under consideration. This failure has been referred to by no less authority than Bernard M. Baruch, and I quote from an article published in the San Francisco Examiner, under date of March 20, as follows:

> American industry must have more protection against cheap imports if it is to succeed in creating jobs and raising wages, Bernard M. Baruch said tonight before the Brookings Institute.
>
> Baruch, who headed the War Industries Board during the war, praised the present Federal emergency program for economic recovery, but warned the assembled economists to "examine carefully" recent and pending legislation designed to place all American industry under Federal regimentation.
>
> Baruch questioned the effectiveness of controlling industry, fixing minimum prices and establishing higher wages for more employees, and at the same time letting down the bars to cheap foreign importations by reducing tariffs.

Mr. Chairman, the American manufacturer and the American workingman is entitled to the same protection given the farmer in the emergency agricultural relief bill, which passed the House on March 20, the Senate April 28, and was approved by the President on May 12. This applies to interstate or foreign commerce, as follows:

> The processing tax shall be levied, assessed, and collected upon the first domestic processing of the commodity, whether of domestic production or imported.

In further proof of this necessity of protecting American industry and American labor, I quote again from the statement of Mr. William Green, president of the American Federation of Labor:

> The opportunity to ship into this country goods manufactured at a price with which no American manufacturer can compete can be met in two ways: First, by the provision in the Connery bill; and, second, by a countervailing tax. In my judgment, no tariff can be sufficiently high to meet the debased foreign currency conditions in Europe and other foreign countries. That cannot be fixed by a rigid tariff act.

The rule under which this bill is being considered does not permit amendments except by the committee which has the bill in charge. I sincerely hope that the committee, in fairness to American manufacturers, will amend the bill under consideration by adding thereto what was known as section 8 of the Black-Connery bill unanimously reported to the House by the Committee on Labor, which reads as follows:

> To insure a purchasing power on the part of the American consumers the Secretary of the Treasury is hereby directed, while this act continues in force and effect, to prohibit the entry of foreign-made goods, which goods are similar or comparable to goods produced in the United States of America, if such foreign-made goods are entered at total landed costs which are less than American cost of production of similar or comparable American-made goods. The Secretary of the Treasury is hereby authorized to make findings of the cost of production, and his decision shall be final.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. COCHRAN].

Mr. COCHRAN of Pennsylvania. Mr. Chairman, coming from northwestern Pennsylvania, the tax features of this bill are of peculiar interest to me and my people and especially the additional tax imposed upon gasoline, for it was there that oil was first discovered and the second largest industry in the United States had its birth.

About 1 year ago, as an emergency measure, Congress placed a Federal tax of 1 cent per gallon upon gasoline. This bill proposes to add three quarters of a cent. This is a field of taxation that was preempted by the States back in 1919, when the State of Oregon imposed a tax of 1 cent per gallon. It is a matter about which various States have gone

wild. I wonder if you know to what extent gasoline is taxed by the States?

I have here the rates for Harrison County, Miss., where there is a State tax of 6 cents per gallon, a county tax of 3 cents per gallon, and to this would be added the Federal tax of 1¾ cents per gallon, making a total of 10¾ cents.

The average price of gasoline received by the manufacturer during 1932 was 4 cents per gallon. This represents a tax of more than 372 percent.

All of us, from city and from country, have the interests of the farmer at heart. The Federal tax of 1 cent per gallon, imposed as an emergency measure a year ago and to continue for 1 year only, has cost the country $135,000,000, and as the farmers consume one fourth of the motor fuel of the country, the farmers contributed $33,750,000 of this tax. The additional tax of three fourths of 1 cent, proposed in this bill, would raise $92,000,000 more, and the farmers would pay $23,000,000 more in motor-fuel taxes. The farmer's tax upon his motor fuel would be increased 68 percent.

[Here the gavel fell.]

Mr. COCHRAN of Pennsylvania. Mr. Chairman, I ask unanimous consent to extend my remarks and to include therein a table showing taxes levied on gasoline by the various States and to also include therein certain testimony given before the House Ways and Means Committee.

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

There was no objection.

Mr. COCHRAN of Pennsylvania. I have prepared from the records of the United States Department of Agriculture, Bureau of Roads, and will insert at this point in my remarks a table showing the rates of tax imposed by the various States upon motor fuel as of December 31, 1932, the gross receipts from such tax, the amount in gallons of fuel consumed in the United States during that year, and the percentage of change in consumption:

State gasoline taxes, 1932—Tax earned on motor-vehicle fuel

[From Table G-1 (1932), U.S. Department of Agriculture]

State	Gross tax	Tax rate, 1932			Gasoline, or other fuel for motor vehicles, taxed	
		Cents per gallon		Date of rate change	Net gallons taxed	Percent change
		Jan. 1	Dec. 31			
Alabama	$7,000,502	5	6	11/5	136,421,624	−16.1
Arizona	3,479,597	5	5	-------	58,004,441	−10.4
Arkansas	5,709,727	6	6	-------	86,082,940	−22.2
California	40,124,804	3	3	-------	1,204,295,149	−9.4
Colorado	6,134,473	4	4	-------	136,730,489	−12.6
Connecticut	4,687,912	2	2	-------	234,229,379	−0.9
Delaware	1,145,986	3	3	-------	36,338,331	1.7
Florida	14,508,777	7	7	-------	207,268,239	−11.8
Georgia	11,938,809	6	6	-------	198,980,154	−10.3
Idaho	2,539,950	5	5	-------	45,554,550	−12.3
Illinois	29,988,421	3	3	-------	958,468,356	−1.1
Indiana	17,938,367	4	4	-------	418,489,040	−7.2
Iowa	10,693,343	3	3	-------	299,004,568	−17.9
Kansas	10,204,096	3	3	-------	247,349,852	−8.1
Kentucky	8,202,889	5	5	-------	164,057,785	−6.9
Louisiana	8,300,840	5	5	-------	166,014,436	−11.7
Maine	4,397,400	4	4	-------	105,167,540	−4.0
Maryland	7,902,161	4	4	-------	187,505,794	.9
Massachusetts	16,805,808	3	3	-------	550,642,607	−1.4
Michigan	21,730,941	3	3	-------	681,044,263	−6.4
Minnesota	11,352,359	3	3	-------	333,351,913	−9.7
Mississippi	6,071,654	5½	6	6/1	96,732,445	−16.4
Missouri	9,183,199	2	2	-------	447,484,670	−2.8
Montana	3,421,504	5	5	-------	53,803,120	−10.9
Nebraska	7,893,113	4	4	-------	195,236,623	−14.1
Nevada	868,091	4	4	-------	18,177,920	−6.5
New Hampshire	2,710,386	4	4	-------	65,971,040	−0.7
New Jersey	20,963,688	3	3	-------	553,914,175	−3.0
New Mexico	2,362,264	5	5	-------	43,845,055	−17.7
New York	43,690,844	2	3	3/1	1,485,127,929	−2.8
North Carolina	14,124,630	6	6	-------	231,727,434	−7.2
North Dakota	2,842,042	3	3	-------	61,190,398	−9.6
Ohio	36,123,658	4	4	-------	856,729,484	−12.9
Oklahoma	9,661,097	4	4	1/1	241,527,434	−4.3
Oregon	6,315,052	4	4	-------	140,066,134	−9.7
Pennsylvania	30,289,915	3	3	-------	1,009,663,827	−6.7
Rhode Island	2,020,740	2	2	-------	92,701,236	−2.0
South Carolina	6,261,560	6	6	-------	103,748,781	−14.1
South Dakota	4,174,644	4	4	-------	74,083,694	−12.7

State gasoline taxes, 1932—Tax earned on motor-vehicle fuel—Continued

State	Gross tax	Tax rate, 1932			Gasoline, or other fuel for motor vehicles, taxed	
		Cents per gallon		Date of rate change	Net gallons taxed	Percent change
		Jan. 1	Dec. 31			
Tennessee	12,185,360	7	7	-------	174,076,575	−15.8
Texas	30,071,589	4	4	-------	676,593,941	−11.3
Utah	2,174,318	4	4	-------	54,297,788	−10.0
Vermont	1,874,648	4	4	-------	46,866,212	−4.7
Virginia	11,484,414	5	5	-------	216,191,996	−5.6
Washington	12,329,201	5	5	-------	220,930,195	−9.7
West Virginia	5,184,836	4	4	-------	123,544,775	−8.3
Wisconsin	16,346,591	4	4	-------	373,710,495	−13.4
Wyoming	1,418,145	4	4	-------	35,453,612	−10.6
District of Columbia	2,053,901	2	2	-------	101,774,858	17.9
Total	548,888,246	------	------	-------	14,250,173,296	−7.5
Weighted average rate	----------	3.6 cents			----------	-------

An inspection of this table discloses that gasoline pays a sales tax in every State of the Union and in the District of Columbia, at rates varying from 2 to 7 cents per gallon, and that 33 of the States have fixed this sales tax at from 4 to 7 cents per gallon. In other words, 33 of the States impose a sales tax upon gasoline of 100 or more percent. In addition to these sales taxes imposed by all of the States, the cities and counties of some of them have imposed like levies for their use, with the result that in some localities gasoline pays a sales tax in excess of 372 percent.

The disproportionate tax burden imposed upon the gasoline and motor-vehicle industries is apparent when we consider that in 1930, before the Federal Government began to tax gasoline, the two industries mentioned paid more than $1,000,000,000 to the States, while the total State revenue receipts for that year were $2,243,110,000. In other words, the motor vehicle and gasoline industries paid 37.9 percent of the total revenue receipts of all the States in 1930.

This table shows that the consumption of gasoline in 1932 declined in 46 of the States in amounts as high as 22.2 percent, the average decline for all the States and the District of Columbia being 7½ percent. Manifestly, the larger part of this decline is due to the economic condition of the country, but the dire effect of excessive taxation is shown by the fact that by far the greatest decline in consumption was in those States which imposed the highest gasoline taxes.

A decline in the consumption of gasoline reflects not only a decrease in the use of motor vehicles but also a decline in their manufacture and sale. Motor-vehicle registrations in 1932 declined at the rate of 200,000 per month. As in the case of the decline in consumption of gasoline, we must recognize that the major cause is the economic situation; nevertheless, excessive gasoline sales taxes, excessive automobile and accessories sales taxes, and excessive automobile and operators' license fees contribute largely to this result.

Furthermore, excessive gasoline taxes, and all gasoline taxes over 3 cents per gallon are excessive, invite the bootlegging of gasoline, with the consequent loss of all revenue and the demoralization of honest prices to the consumer. The gasoline bootlegger flourishes in those States imposing excessive taxes, and the honest dealers there can meet the unfair competition only by offering an inferior grade of gasoline at a lower price. Thus honesty is penalized and fraud rewarded.

The net result to the oil industry is a decreased demand for its products and at decreased prices. The cost of production of oil in western Pennsylvania is quite accurately estimated at $2.50 per barrel, while the price received for it, at the time I am speaking, is $1.32 per barrel.

To increase this Federal tax by three fourths of a cent will tend to further depress this price. In my congressional

district the average oil well produces daily about as much oil as a good Holstein cow produces milk, or about one eighth of a barrel. Most of these wells are owned by independent producers, many of them by farmers; and many of the owners are now almost bankrupt. They cannot operate their wells much longer at such a loss.

Pennsylvania, New York, Ohio, and West Virginia produce what is known as the Pennsylvania grade of oil, the quality of which is unequaled in the world. Will you Representatives from Ohio take notice? Your State has 35,000 producing oil wells, which is one ninth of the total number in the United States. Their average daily production is less than one half barrel. Will you Representatives of the other oil-producing States take notice? There are 350,000 producing oil wells in the United States, 250,000 of which produce less than 1 barrel per day. These "stripper wells" are the backbone of the oil industry and relief in the form of higher prices must come to their owners or they will be abandoned; once abandoned they will be lost forever, an irreparable damage to the country, for the small revenue each produces would not justify reopening.

Time will not permit me to discuss another injustice of this bill, namely, increasing by 50 percent the tax upon small incomes. If enacted in law, this provision will measurably decrease the attendance next year at American colleges and universities.

The remedy for the tax injustices of the bill was suggested by William Green, president of the American Federation of Labor, in his testimony before the Ways and Means Committee last Friday. I quote his testimony, from pages 113–114 of the hearings:

Mr. GREEN. Now we come to the sales tax. Labor has always been, and is uncompromisingly, opposed to the principle of the sales tax. We feel that it is a form of taxation that is unjust in operation and that it bears more heavily upon the masses of the people than it does upon those who are best able to bear the taxation burden.

We are so fundamentally opposed to it that under ordinary circumstances we would object strongly to the imposition of a sales tax, particularly if this sales tax were to be imposed for the purpose of raising revenue to pay the ordinary running expenses of the Government. You will always find labor before committees and in the halls of Congress opposing the enactment of such legislation as that.

Speaking now for myself, because I cannot represent all the views of all our labor representatives, since many of them differ from me, I have arrived at this opinion only after careful thought and study: That is, that if this character of tax is imposed for the purpose of raising this money in order to drain the pools of unemployment, and to get people out of their suffering, after 4 years of the very greatest human distress conceivable because of unemployment, and if it is the intention to spend the money thus raised in the towns and in the cities, as I have suggested, in order to tackle the problem of unemployment at the home, then I would be willing, as a representative of labor, to favor the imposition of a sales tax for the purpose of raising that money, but with this proviso, that it should be carefully safeguarded and made to apply only in this emergency, and to automatically end when the purpose of this bill has been served.

I agree with Mr. Green, but, going further, I propose that food, clothing, and medicine be exempted from such tax. A general manufacturers' sales tax (exempting food, clothing, and medicine) of only 1.8 percent would produce the needed revenue, and its imposition would fall so lightly upon all that it would be felt by none. What sound argument can be advanced against a proposition so fair, and so satisfactory to the accredited spokesman for labor? What sound argument can be advanced in favor of crushing sales taxes upon a few selected industries, at rates as high as 372 percent?

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from Kansas [Mr. McGUGIN].

Mr. McGUGIN. Mr. Chairman, on the bill itself no man knows whether the enactment of the measures means that it is merely a temporary program which leads us out of our present distress back to traditional Americanism, or leads us on to greater fields of communism. At the same time, no man knows whether standing still now will save traditional Americanism or lead us on into still greater economic and social chaos. For my part, I choose to take the bill. [Applause.]

The subject which I wish to discuss now primarily is the tax feature. The proposed motion to recommit, offered by the gentleman from New Jersey, will, if accepted to this bill, in my honest judgment, do almost as much for America as the bill itself. We know that credit has been unduly contracted. Congress has been responsible for part of this. A year ago, at the very time when we needed check circulation more than anything else, Congress enacted a check tax and undertook to penalize by millions of dollars each year the very thing which we needed most. Give us the Bacharach amendment and lift from America the check tax and much will be gained in credit circulation.

Mr. TREADWAY. Will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. TREADWAY. In connection with the statement the gentleman is just making, let me say that the gentleman from Massachusetts [Mr. McCORMACK] has recently announced that he expects to offer a motion to recommit.

Mr. McGUGIN. Irrespective of which motion is finally submitted, I am for the motion that is submitted, whether it be the McCormack amendment or the Bacharach amendment. [Applause.]

Let me go a little further. Lift from the oil industry of America the gasoline tax and, mayhap, you have done much for one great industry. Lift from the automobile industry the discriminatory tax placed upon it and, mayhap, you have done much. It is written in the scheme of things that you cannot penalize two great industries like the oil industry and the automobile industry without every other industry in the United States paying a penalty. There is some justice yet in the economic world, if there is none in the political world.

When we have done this there is only one place to turn and that is to a manufacturers' sales tax, with drugs, food, and clothing exempt.

There is no good reason, ordinarily, presented against this tax. Usually it is fear, a sort of political fear, which is ill-founded either in politics or in reason. The opposition to a general sales tax always promises, as a substitute, to collect the needed tax off of the rich, and yet the bill itself answers that statement. This bill which the committee has brought in does not collect it from the incomes of the rich, but collects it from the earnings of the great middle class in this country.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. STOKES].

Mr. STOKES. Mr. Chairman, you gentlemen who are lawyers will remember better than I do the famous case of McCulloch against The State of Maryland, in which Chief Justice Marshall told us, and truly told us, "the power to tax involves the power to destroy, and the power to destroy may defeat and render useless the power to create."

It is well that we should consider carefully these significant words.

The issuance of this huge amount of Government bonds to pay the interest and sinking fund of which about $220,000,000 additional tax must be placed on the American taxpayer each year is, as the gentleman from Pennsylvania [Mr. WATSON] remarked, giving us war taxes in peace times.

I shall vote to recommit this bill in favor of a sales tax.

We have already spent in public works nearly one half billion dollars with no very marked increase in employment. England has found that the extensive building of public works did not help unemployment.

Mr. MacDonald wrote as follows regarding public works:

After the most careful examination of all the relevant considerations, the Government has, however, reached a definite decision to discontinue the policy of attempting to deal with unemployment by a system of state-assisted relief works.

Experience has, however, shown that the amount of employment provided by the vast expenditure on these schemes has been very small in comparison with the total volume of unemployment and that the policy is completely unequal to the task of dealing with unemployment on a large scale.

Despite putting in hand of relief works of an estimated value of nearly $923,000,000, the greatest number of persons directly employed on works falling under the main classes of relief works at any time was 114,000.

I voted for the economy bill, because I believed the balancing of our Budget would restore confidence and thus reduce unemployment.

As Dr. Butler said—

> The practical and straightforward way to balance the Budget is not to tax more, but to spend less. The real slogan of the people of the United States should be "Stop spending our money."

It is undoubtely true that when taxation rises to a point beyond the capacity to pay, the revenue falls instead of increasing, as shown by the tax on real estate in our large cities.

The people of this country are industrious, intelligent, and very resourceful. They do not need to be controlled by dictatorial power in order to help stimulate business recovery. Their own spirit of enterprise will bring it about as soon as conditions warrant. Nor can we hope to have a return to normalcy all at once. It is bound to be a slow process, responding only to patient treatment. The best stimulus we can give is a reduction of taxation, especially on real estate and rents, and in so doing help the farmer, the homeowner, and the poor man all together, and then prosperity will return slowly, perhaps, but surely.

Conditions which prevailed in England after the Napoleonic wars were very similar to those of today, namely: (1) Trade depression, (2) unemployment, (3) wages at starvation point, (4) heavy taxation, (5) huge debt and recurring deficits, (6) declining exports and imports. Finally in 1841, Sir Robert Peel came into power and applied really sound remedies.

In the fifties and sixties Gladstone followed on. Under the magic stimulus of public economy, reduced taxation, balanced budgets, trade began to advance by leaps and bounds.

The facts are so plain and the precedent so clear and conclusive and the lessons so easy to learn that none of us can fail to see the importance of doing likewise today.

Let us have faith in our country, but let us not paralyze her by severe taxation.

As Lowell says in speaking of our Nation:

> They love her best who to themselves are true,
> And what they dare to dream of, dare to do.

[Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from Pennsylvania [Mr. McFADDEN].

Mr. McFADDEN. Mr. Chairman, I am concerned about the power Congress is proposing to give to a centralized group who will control the operation of this particular legislation. I have particularly in mind that class of industry in the United States which has been built up by careful planning, independently owned and controlled, where the lives of men have been devoted to that industry. These industries have been built up, scattered all over the country, and are the backbone of American industry in the United States. I am not referring to the big trusts. The financial groups that we hear so much about these days have time and again tried to get control, to worm themselves into these industries and take them away from the owners, the people who have built them up.

You are creating an organization here now that is going to be able to control these industries. Under the operation of the provisions of this law, they may be forced to consolidate with competitors that are owned and controlled by the very group of people who have been trying to break into privately owned industries. Big business wants to swallow independent business that remains in the United States. Big private banking houses in New York want these small independent profit-making industries.

I am wondering what these industries that have been built up by the owners with their own money, with genius and brains, who have treated the employees properly and are the very lifeblood of many small communities, are going to say or do when they are called before this board and are told that they no longer can control their own business, and that, unless they obey the dictates of big bankers and big business, their main competitors, they will have to consolidate their business with other groups of business people—these other groups of people may be the very persons who have been trying for years to take the business away from them.

That is one of the dangers that I see in the bill. Further than that, I want to say to you and the administration that this department of Government which you are setting up here today must not be managed by the type of men we are hearing about who are controlled by the financial group appearing and other similar groups of New York bankers who will later appear for examination before the Senate Banking Committee at the other end of the Capitol. [Applause.] This administration has got to purge itself of that J. P. Morgan & Co., Kuhn, Loeb & Co., Speyer & Co., Warburg group of private bankers' control or you are going to have revolution in the United States. It cannot continue any longer.

This is to be an institution for the control of industry, all industry, privately owned industry. You have already given control of the railroads, you have already given control of the farming industry, you have given control of the finances of the country to the banker groups.

I simply want to warn the administration that this cannot continue. The people have rights in these United States, and when they awake they will take their rights.

Now, in the few brief moments that still remain I want to refer to the tax features provided in the bill.

I need not tell you that I have been seeking for a long time to get the Income Tax Division of the Treasury Department to collect taxes due the United States. If you would, if this Congress would report out a resolution of investigation which will result in unearthing the reasons why the Income Tax Division does not function we might collect hundreds of millions of dollars that are actually due at this time.

Who is holding up my resolution to do this? What must be done to get action in this House to make the Income Tax Bureau of the United States Treasury do its duty, and collect taxes that are being fraudulently withheld? Is it that these tax-racketeering lawyers and certified public accountants are so strongly intrenched, or are the Mellons, Morgans, and Dohertys so strong politically, that they can even reach the leadership in this House?

Of course, I had every evidence in the Hoover Administration that Morgan, Mills, Ballantine, and Burnet had no intention of interfering with this ring of income-tax racketeers. We were all led to understand that when the Administration changed the money changers would be thrown out of the temple, but they are still permitted to operate and apparently are being protected, and the regime is to be perpetuated. The definite proof of this is the appointment of Dean G. Acheson, formerly of the law firm of Covington, Burling and Rublee, Union Trust Building, Washington, D.C. This firm of lawyers, with whom Mr. Acheson was connected, are the attorneys for Price, Waterhouse and Co., a British accounting house and one of the largest practitioners in income-tax matters before the Treasury Department. They represent hundreds of the leading taxpayers.

On November 21, 1931, I asked Andrew W. Mellon, Secretary of the Treasury, to disbar this company from practicing before the Treasury Department in connection with any income-tax or other matters on evidence that I was submitting to the Department. I pointed out to Mr. Mellon that over a period of years this accounting firm, in collusion with large taxpayers, had been defrauding the United States Government in the receipt of taxes due the Government and suggested that each one of this firm's clients' tax accounts be completely audited and prosecuted. Did Mr. Mellon do this? He did not. On the contrary, in a letter to me under date of November 24, 1931, he defended the activities of this concern, and on December 1, 1931, I sent him additional definite information as to the fraudulent practices of Price, Waterhouse & Co., and submitted definite cases of tax violations running into tens of millions of dollars and called attention for immediate action on account of possible running of the statute of limitations. On Decem-

ber 9, 1931, I again called his attention to these violations and referred him to a conspiracy action that had been entered into between the representatives of these taxpayers, the acting Attorney General of the United States, and himself. Mr. Mellon refused to take any action looking toward the prosecution of these tax violations.

On March 26, 1932, I directed a letter to Ogden L. Mills asking for a report inasmuch as 6 months had elapsed since I had notified the Department of this irregularity, and on April 1, Mr. Ogden L. Mills, the then Secretary of the Treasury, replied that the Department had the matter under consideration.

On June 4, 1932, I introduced a resolution which was referred to the Rules Committee. Extensive hearings were held but Speaker Garner and the Rules Committee failed to carry out their agreement to report favorably on this rule at the last session of Congress.

On May 5, 1933, I sent the following letter to Hon. William H. Woodin, Secretary of the Treasury:

MAY 5, 1933.

Hon. WILLIAM H. WOODIN,
Secretary of the Treasury, Washington, D.C.

MY DEAR MR. SECRETARY: On March 26, 1932, I addressed the enclosed letter to Hon. Ogden L. Mills, then Secretary of the Treasury. His answer is also enclosed. This matter concerns substantial amounts due to the Treasury of the United States.

Mr. David A. Olson has filed several cases of tax evasion with the Bureau of Internal Revenue. These cases have been in the hands of the Bureau for more than a year. There has been much correspondence and conversation about these cases, but to date no one has been able to secure from the Bureau or the Treasury any definite statement as to the disposition of these matters.

Officials of all parties are working earnestly to evolve means to meet the Government's pressing need of funds, and it seems to me that definite steps should be taken to determine what sum in evaded taxes can be collected in the Olson cases and even more important that those sums be collected and made available for the Treasury.

It is with the hope that you will agree with this statement of the Nation's financial condition that I am addressing you with this request for information.

Has the Bureau of Internal Revenue completed its investigation of these cases or of any of them? What sum has been collected?

What sum of money has been discovered to be due to the Government and from whom?

I shall appreciate your early reply.

Sincerely yours,

L. T. MCFADDEN.

Up to this time I have not had the courtesy of a reply. But during this period of time one of the attorneys for Price, Waterhouse & Co., as heretofore stated, has been made an Assistant Secretary of the Treasury, succeeding A. A. Ballantine. His particular duties are the Income Tax Division of the Treasury Department.

Mr. Acheson apparently has had, or may still have, very interesting clients, as is indicated by a letter from a resident of California that has just come to me. In referring to his appointment as Assistant Secretary of the Treasury, this correspondent says: "He is the man who appeared recently on the Pacific coast representing a syndicate of New York bankers in connection with the purchase of Russian bonds at a discount." It was said that this New York syndicate was in possession of special information in regard to the recognition of Russia by the United States, and it was indicated that on the basis of this inside information this New York syndicate was attempting to buy up from the present unfortunate holders of Russian securities in the United States these bonds.

The House of Representatives should know who Mr. Acheson is and whom he represents. The hearings before the Senate Banking Committee have disclosed the fact that he is on the preferred list of friends of J. P. Morgan & Co. I am sure that the Membership of this House will understand how impossible it is to expect that these fraudulent tax cases, which I am insisting be investigated, can be investigated and the taxes collected and the taxpayers dealt with in the same manner that the tax-evasion case of Charles E. Mitchell, president of the National City Bank, is being dealt with. I am definitely calling this serious matter to the attention of the administration; and their action in regard to the retention of Mr. Acheson in the Treasury will disclose whether or not the administration intends to deal with these fraudulent tax cases or whether they are going to respond to the demands of political and financial pressure that can be brought to bear by the Mellons; the Morgans; the Kuhn, Loebs; and the H. L. Dohertys.

These influences are now trying to control the appointment and confirmation of Guy T. Helvering, of Kansas, to be Commissioner of Internal Revenue. This appointment should not be confirmed by the United States Senate.

The public-utility interests, of the type of H. L. Doherty, are doing everything that they possible can to secure the appointment of Mr. Helvering for this position. I have already shown the Members here that the tax returns of H. L. Doherty, of Cities Service, one of the largest public utilities, should be investigated. It is significant, too, when we understand that Mr. Helvering's appointment is satisfactory to the attorneys practicing before the Income Tax Division of the Treasury Department.

I am reliably informed that Mr. A. W. Mellon has been in Washington the past few days in consultation with Mr. Acheson and the attorneys for Price, Waterhouse & Co. It is not surprising that Mr. Mellon would be here in Washington at this time during the questioning of the members of the firm of J. P. Morgan & Co.

One of the interesting developments of this investigation discloses the fact that the firm of J. P. Morgan & Co. is a copartnership, each partner having an interest in the assets of the copartnership. Therefore it becomes necessary upon a partner leaving the firm or a new partner coming in to estimate the value of the partnership assets as the basis upon which such incoming or outgoing partner may be protected in his investment.

Under Mr. Morgan's statement when Mr. S. Parker Gilbert came into the J. P. Morgan firm, he assumed a sale of the assets of the Morgan firm and thereby reached a valuation predicted upon the sale of the Morgan firm assets. This assumption is not an actual sale but is an assumed price on the assets of the Morgan firm that is fixed by the Morgan firm and whether the property is purchased or sold, the completed transaction is based upon what may be termed the value fixed by Morgan himself, and is not established by an actual sale of the property as contemplated under the income tax law. The whole procedure is one of fiction, the whole price fixed on sale and purchase is fiction, the assumption as a result of the sale is fiction, the estimated losses of $21,000,000 deducted from the income of the firm for the year involved is nothing but a fictitious transaction, which if tested in the courts by the Treasury, would be decided in favor of the Government. If Mr. Morgan is permitted to thus evade the law, which requires the actual sale of the property, then every farmer in the United States has a right to assume a purchase and sale of his own farm, when the farm prices are less than his cost, and make his own showing of the loss.

On the other hand, the merchant in the small town may estimate a sale of his merchandise for the same reason. He may make the sale of the merchandise at a price in his own mind, purely theoretical and imaginary, doing the same as Morgan does, and estimating the price at less than the wholesale price at which he purchased the goods, and can thereby deduct the estimated loss from the income-tax return on the basis of a sale having transpired.

It was mentioned by the Morgan partners that they had taken advantage of a loophole in the income tax law. I am reliably informed that there is no such loophole, and if the Treasury Department would only take action against the Morgan partners to collect the tax which was due for that calendar year, their action would be sustained by the courts.

In the case of Lazard-Freres, a New York partnership, the partners of that firm did the same thing in 1929, and I am reliably informed by a man who was present during this transfer that the attorneys in the case feared that if the Government took action to collect the tax, as legally due, they would be unable to successfully sustain their position in the courts.

Thus it is known to the Bureau of Internal Revenue and the Secretary of the Treasury that the question is a debatable one, and yet there has never been an attempt of the Treasury Department to settle the rule. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3½ minutes to the gentleman from New Jersey [Mr. EATON].

Mr. EATON. Mr. Chairman, there is no doubt in the world that we are passing through the greatest revolution in our history, if not in the history of man; and this particular bill, so far as our country is concerned, is the keystone in this revolution. It is the most far-reaching in its effect upon the Constitution and upon the life of the people of any legislation that has been proposed here in these few weeks. For 150 years we have built up here on a distinctly American principle and American method the greatest and most beneficent social structure the world has ever seen. We are proposing now in 2 short months by a series of hastily conceived legislative acts to remake that entire structure. We do not know how this new machinery will work when it starts, but I am willing to predict that the unexpected byproducts of these laws will be as disastrous as they are surprising when they lay hold of the people.

I hope this bill when it is recommitted will come back with a sales tax. It seems to me a very simple proposition. Here is a man with an income of $10,000 a year. He wants to buy a new table or a new set of dishes or a new automobile, but he cannot do it because you are increasing his income tax. He is the one man who is paying now more than he ought to on his income. You are, in this bill, increasing his income tax 50 percent. If you will put a tax upon the automobile, on the table, on the set of dishes at the place where they are manufactured, he can pay that 1 or 2 percent, give work to the workman, give a profit to manufacturer, and everyone would be better off all around. For that reason I shall vote to recommit the bill and hope it will come back with the sales tax, and then, much against my will, I may vote for the bill itself.

It is time the American people waked up to what is happening here in Washington. We are, in this bill, not to mention a long list of others recently passed under gag rule, placing American industry under the President as dictator. We propose to regiment the American worker in such fashion as to denude him of his status as a free citizen. Under this bill no industry can start or function except it is licensed and controlled by a Washington bureaucrat. The bill scraps the safeguards of the Sherman Act. It makes mockery of the Civil Service law. It carries the American employer and employee farther toward the Russian system than has been attempted in any other country in the world.

We may be in the dawn of a new age. American individualism may be worn out as a mother of life. We may be under necessity of adopting a scheme of collectivism which, in essense, will turn out to be a denatured communism. But in doing all this as a substitute for the old American scheme of self-help, let us realize that we must say good-by to the Constitution under which we have advanced gloriously for 150 years.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. VINSON of Kentucky. Mr. Chairman, I ask unanimous consent to extend my remarks in the RECORD and to include therein certain excerpts from the Supreme Court decisions.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DIRKSEN. Mr. Chairman, in Scotland no Scotchman ever learned to swim until they began to build toll bridges in Scotland. The Scotchman then learned to swim as a matter of sheer necessity, and this particular bill pending in the House today is here, I would say, by the same token, namely, as a matter of strict necessity. I listened attentively to the learned argument of the gentleman from Georgia [Mr. COX], and I listened to the brilliant argument of my friend from Pennsylvania [Mr. BECK]. However, when I hear such an argument affecting the constitutionality of a measure like this, or on the effect of this measure on our organic act, I recall that series of delightful essays Peter Finlay Dunn wrote some years ago in which he had Mr. Dooley talking to Mr. Hennesey. I remember the observation, and I think my friend from Pennsylvania will remember it also, that Dooley once made on the Supreme Court. He said that the Supreme Court always followed the election returns. Therefore I am not particularly mindful of the constitutionality of this measure, because I believe that ultimately the Supreme Court will follow the election returns and will place its stamp of approval upon this bill.

We are confronted with brilliant argument in behalf of and brilliant argument in opposition to this measure, and a cursory analysis will develop the fact that the argument in opposition proceeds from the head and the argument in behalf of the bill proceeds from the heart. I think of the millions who are unemployed today, the people about whom Abraham Lincoln was so solicitous, the people who were the chief solicitude of men like Robert Owen, the great humanitarian from England, and of St. Francis of Assisi, and of all those other great humanitarians who have gone down the corridors of time. These millions of distressed and unemployed are on the heart side of the pending measure. On the other side we have the cold intellect that is too often concerned with the pure logic of a measure of this kind, or with its constitutionality, or its propriety of form. It is exemplified by such renowned men as Herbert Spencer, Voltaire, Rosseau, and others, who were given to theoretical and abstract speculation upon the question of whether something fitted in with the inherent rights of human kind, or the theory and logic of individualism. But, Mr. Chairman, the mind is no match with the heart in persuasiveness; constitutionality is no match for compassion. I see nothing else to do except to cast my lot upon the humanitarian side and to vote for this bill, because the millions of unemployed feel that there is here a possibility of employment. To them it is a prophecy of hope, a harbinger of glad tidings, a note of cheer.

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

Mr. TREADWAY. Mr. Chairman, I yield the remainder of my time to the gentleman from Illinois [Mr. BRITTEN].

The CHAIRMAN. The gentleman from Illinois is recognized for 3½ minutes.

Mr. BRITTEN. Mr. Chairman, I should like order for a moment while I disclose something that will be of interest to my friends on the Democratic side. Young James Roosevelt, the son of President Roosevelt, was on the air last night. He was in Boston. Here is what he said.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. BRITTEN. Not now. He began his address with the history of the Morgan family and its close relationship with Boston and New England.

He defended "the unquestioned honesty and integrity of the House of Morgan and its head" over the radio last night, says the United Service. Now, this is the point that affects the Congress, your side and our side just the same. I am inclined to believe that when James Roosevelt made this address last night he had one of the tax bills now before us in his hand.

Mr. FITZPATRICK. Will the gentleman read the rest of it?

Mr. BRITTEN. Yes.

Mr. FITZPATRICK. Then give us the whole story.

Mr. BRITTEN. Certainly. He said:

> Most of you probably read the papers, where almost every headline told of the fact that J. P. Morgan paid no income tax in 1931 and 1932. That probably gave you a shock.
>
> The fault lies not with Mr. Morgan but with the law and those who draw the laws and allowed such a thing to be.

Mr. DOUGHTON. Mr. Chairman, I make the point of order that the gentleman is out of order. He is not confining himself to the bill.

Mr. BRITTEN. The concluding remarks of young Roosevelt refer directly to the lax methods of our taxing laws, and the opportunities for evasion.

Mr. DOUGHTON. I make the point of order, Mr. Chairman. The debate must be confined to the bill.

Mr. BRITTEN. Very well. The trouble, my friends, Mr. Roosevelt says, is with Congress in allowing these things to prevail, and that is what I want to read. You should hear his own language.

Mr. DOUGHTON. Mr. Chairman, a point of order. The gentleman is not confining himself to the bill.

Mr. BRITTEN. "In this bill," I am referring to the bill.

Mr. DOUGHTON. Mr. Chairman, a point of order.

Mr. BRITTEN. Very well. I will confine my remarks to the bill.

In this bill we are going to perpetuate the very thing of which young Roosevelt complained. If the revenue-raising features of the bill had been written by J. Pierpont Morgan himself he could not have treated himself and his millionaire friends more generously. The so-called "little fellow" is again to carry the burden of taxation.

Mr. PALMISANO. Will the gentleman yield?

Mr. BRITTEN. No; not now.

This revenue-producing measure provides for a tax on incomes in the lower brackets where your friends and my friends are found, and which increases their taxes 3,000 percent, and only increases by 15 percent the upper brackets where the millionaires are found.

Mr. O'CONNOR. Will the gentleman yield?

Mr. BRITTEN. Yes; I yield to my friend.

Mr. O'CONNOR. The gentleman knows of course that Mr. J. P. Morgan was able to charge——

Mr. BRITTEN. Oh, the gentleman also is talking out of order. [Laughter.]

Mr. O'CONNOR. But the gentleman mentioned Mr. Morgan's name. He is a distinguished citizen of my city.

Mr. BRITTEN. Very well. Go ahead.

Mr. O'CONNOR. The gentleman knows that the reason Mr. Morgan could charge off his losses in a succeeding year was due to the Republican income tax bill of 1921. [Applause and laughter.]

Mr. BRITTEN. I hold no brief for any Republican bill, but I do expect the Democratic side of the House with its tremendous majority to legislate correctly now, and you are not doing it.

Mr. COOPER of Tennessee. That amendment is in this bill.

Mr. BRITTEN. When they increase the dividend tax 3,000 percent in the lowest bracket and in the next bracket 1,500 percent, and then only increase your friend Morgan by 15 percent the bill should be amended or defeated. I shall vote to substitute a manufacturers' sales tax for all tax increases carried in the pending bill.

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

Mr. BRITTEN. You are again playing into the hands of the plutocrats and millionaires. [Laughter and applause.]

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

Mr. BRITTEN. Mr. Chairman, I yield back the remainder of my time. [Applause and laughter.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Texas [Mr. BLANTON] such time as he may desire.

Mr. BLANTON. Mr. Chairman, I am deeply grateful to my good friend from North Carolina [Mr. DOUGHTON], our distinguished Chairman of the Ways and Means Committee, for yielding me this opportunity to be heard in this debate.

When from the historic east steps of this Capitol, Franklin D. Roosevelt on the 4th day of last March took the solemn oath of President of these United States, he took over as he entered the White House a republic sick unto death. It had been sick for 12 years, during all of which time it was continually growing worse. First, it had been weakened by a severe attack of yellow jaundice it contracted from the Daugherty-Denby-Fall epidemic that broke out with the Harding administration; and while thus bed-ridden, it was robbed by the Doheny and Sinclair Capones of the Coolidge administration; and almost succumbed under the repeated surgical operations performed in the name of high finance by Dr. Mellon and Dr. Smoot-Hawley, with its disease so malignant and contagious that it and its markets were quarantined from the rest of the world. And during the last 4 years it has suffered stroke after stroke, and heart failure after heart failure from the boxes of orchids which the Hoover-Mellon-Meyer-Mills day and night nurses permitted the House of Morgan regularly to bedeck its orderlies with. Let me repeat that this patient, the Republic of the United States, was sick unto death on the 4th day of last March.

At least 12,000,000 heads of families were out of jobs. They had been out of jobs for months—aye, some of them had been out of jobs for several years. They were footsore and disconsolate. Their good wives and beloved little children were underfed, were underclothed, were not properly housed, were cold without fuel, had no money for medicine or doctors, and were desperate.

Twenty million farmers could not get the cost of production for their products, the result of 12 months of hard labor. They could not pay their taxes. They could not meet their installment notes. They could not pay their interest due. Mortgages on their homes were being foreclosed. Their households were being sold under the sheriff's hammer. Naturally they were desperate. They realized that they were virtually under bondage to the houses of Morgans.

Centuries ago Mellons and Morgans were called Pharaohs. The people of Israel were under bondage to them. A man named Moses was drafted to lead the people out of the wilderness. He was Israel's leader. He formulated plans and policies. He initiated a program. But here and there arose a grumbler. Each grumbler wanted to follow his own ideas. They wanted Moses to use the paths others had mapped out. Some expressed displeasure about one thing and some about another. This grumbler wanted to lead and not follow. That grumbler tried to throw obstacles in the way. But the people of Israel were in a terrible dilemma. They were milling around, lost in an interminable wilderness. They wanted to get out. They realized that the old, beaten paths used by others availed nothing. They were tired of the old deal. They wanted a new deal. So they finally had confidence and followed Moses. And he led them out. And the place he took them to was a land flowing with milk and honey.

The people of the United States last year were tired of being in bondage. They were tired of milling around lost in a wilderness. They were tired of the old deal. They wanted a new deal. So they drafted Franklin D. Roosevelt as their Moses to lead them out. He has accepted the leadership. The people have confidence in him. Oh, there are some grumblers. There always will be grumblers. But the people demand that their leader be allowed to frame his own plans and policies. They want him to map out the way. They want Congress to permit their leader to put into effect his program. It is Franklin D. Roosevelt's program the people want tried out.

This is the President's special session of Congress. It was called for the express purpose of giving the President a chance to put into effect his plans and policies. The President is mapping out the course. The paths are being chosen by the President. This bill is the President's bill. He has had it prepared, consistent with his own ideas. He says that it is a vital part of his program. He says that he needs it to bring about the early economic recovery of our sick Republic. We have tried out all the other doctors. They have failed. It is a new doctor now in charge of the patient. Already we see signs of hope. The sick Republic is no longer in a state of coma. It is rapidly convalescent. It is upon the medicine of Dr. Roosevelt that improvement has resulted. He says the patient needs more medicine. This bill is one of the doses. When I employ a doctor, I believe in taking his medicine. So I am going to vote for this bill (National Recovery Bill). For I am backing the President.

With the exception of one subject—bringing intoxicating liquor back, against which I am pledged to my constituents—I have backed the President in all of his plans and policies. With that exception I have given him 100-percent support.

And excepting intoxicating liquor, I am going to continue to give the President my hearty support 100 percent. He is the Moses who is leading us out of the wilderness. Unless some leader leads us out, we will die milling around with no chance to get out. And as surely as did Moses in the days of Pharaoh, I firmly believe that President Roosevelt is going to lead the sorely harassed people of America out of the wilderness into a land of milk and honey.

But the President needs your help and mine. He is human. His arms will grow tired. We all must help to hold up his arms. He needs our sympathy. He needs our encouragement. He needs our backing. We must keep the grumblers away. We must stand between him and the obstacles. We must help to conserve his physical and mental resources. We must not allow his strength to be taxed. We must keep from him all worries and harassments. We must let him realize that he has a solid phalanx behind him.

The President has frankly acknowledged that he will make some mistakes. Otherwise he would not be human. His administrators have made serious mistakes in doing injustices to our veterans, both of the World War and the Spanish-American War. But we all know that the President's heart is sympathetic. We know that he will not permit these injustices to stand. And our patriotic veterans all know now that a committee of this House is waiting on the President and is advising him of these injustices and is recommending to the President that they be remedied, and we who know the heart of the President know that he will remedy these injustices. And the veterans of the United States know that this Congress will do justice to them. So let no one speak unkindly of the President. Let no one prematurely misjudge him. Let all of us give him a chance. And he will lead us into the land flowing with milk and honey. I am back of the President 100 percent from now on, save and except on the one subject of intoxicating liquor. [Laughter and applause.]

Mr. BLANTON. Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Alabama [Mr. ALMON].

Mr. ALMON. Mr. Chairman, the bill known as "the public works bill" is one of the most important measures that has been recommended by the President at this session of Congress; and when it has been properly administered, will accomplish much for the relief of the unemployed and others who are in distress. It will go far toward restoring our country to a state of normalcy.

I will not undertake to discuss the bill generally but will only make a brief statement in regard to the provision for emergency highway construction. This bill provided that the aggregate amount expended on Federal-aid highways should not exceed $400,000,000. I conferred with and assisted the committee in the preparation of this bill, and as Chairman of the Committee on Roads of the House appeared before the Ways and Means Committee and submitted three important amendments which were accepted by the committee and afterward adopted by the House. One of these amendments is of great importance to the States having unexpended balances of Federal-aid funds and unable to match the same. This amendment authorizes the highway commissions of the States to use these funds with which to match these unobligated balances of Federal-aid funds without any contribution from the State. The State of Alabama, which I represent in part, will receive under the provision of this measure $8,500,000 Federal-aid funds and has a balance of $4,000,000 unexpended Federal-aid funds, which, under the provision of the amendment just referred to, will secure this additional $4,000,000 without any contribution from the State of Alabama. So if the Senate approves this bill as it will pass the House today and meets with the approval of the President, as it no doubt will, Alabama will receive during the next 2 years a total sum of $12,500,000 Federal-aid funds.

I am now and have been for many years a strong advocate of Federal-aid appropriations for roads. I have been a member of the Committee on Roads of the House continuously for the past 18 years, and for 3 years have been chairman of the committee. I assisted in the preparation of the original Federal-aid highway bill in 1916.

The following is a statement of the amounts which have been expended by the Federal Government since 1916:

Federal-aid expenditures from July 11, 1916, to June 1, 1933	$1,198,342,287
Emergency advance (act of Dec. 20, 1930)	79,203,719
Emergency construction highway funds (act of July 21, 1932)	46,438,819
Total to June 1, 1933	1,323,984,825

Miles improved with regular Federal aid and emergency funds to May 1, 1933, 105,834.

Under construction May 1, 1933, 14,209.

I am submitting, herewith, data relative to the expenditures by the States and local units during the period 1921 to 1931, also a statement relative to the present status of the Federal-aid highway system.

During the 11-year period, 1921 to 1931, the State highway departments of the several States expended about $7,000,000,000. During the same period the local units of government, such as counties, townships, and so forth, expended approximately $6,500,000,000, making a total of about $13,500,000,000 in the 11-year period.

The present approved Federal-aid highway system consists of about 205,000 miles. Of this mileage about 90,000 miles have been improved with a type of surfacing satisfactory for traffic. Some of this mileage, however, will require widening and other minor relocation changes to improve alinement. Many existing railroad grade crossings on this mileage should be eliminated and narrow bridges widened. About 104,000 miles have been improved by building to a standard grade and surfacing with a low-type surfacing. Much of this mileage will ultimately require raising to a higher standard of surfacing. The remaining 11,000 miles of the present system are unimproved. It is apparent, therefore, that much remains to be done to bring the Federal-aid system to a standard adequate for the traffic it is serving.

The foregoing gives you an idea of the wonderful progress made in highway construction since 1916. Two things have contributed very largely to create a sentiment for better highways—one, the coming of Federal-aid appropriation; and the other, the coming of automobiles and other motor vehicles.

The people of the Nation have demanded better highways and they will continue to do so until our great Federal-aid system has been completed.

There is a greater percentage of every dollar expended for highway construction that goes into labor than the expenditure of any other public funds. At least 85 to 90 percent of every dollar so expended goes into labor, including the preparation of the material, the transportation, and the actual building of the highways.

We cannot afford to permit the discontinuance of Federal-aid highway appropiration until our great system of highways is completed. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield the remainder of my time to the gentleman from Massachusetts [Mr. CONNERY].

The CHAIRMAN. The gentleman from Massachusetts is recognized for 4 minutes.

Mr. LAMBETH. Will the gentleman yield?

Mr. CONNERY. I yield to my colleague.

Mr. LAMBETH. A little while ago the gentleman from New York [Mr. WADSWORTH] said that this bill spells the end of individualism in America, meaning, I suppose, so-called "rugged" individualism. Does the gentleman from Massachusetts agree with me that the kind of individualism it seeks to end is "ragged" individualism?

Mr. CONNERY. Yes. I certainly agree with the gentleman. This bill will end "ragged" individualism by providing decent wages and outlawing "yellow dog" contracts and sweatshop conditions.

Now, Mr. Chairman, I am going to vote for this bill. I am going to vote against the sales-tax amendment which Mr. McCORMACK will offer. [Applause.] I have the greatest re-

spect and friendship for my colleague from Massachusetts [Mr. McCormack]. I know he is sincere in offering his motion to recommit. But a sales tax is a tax on the poor. They try to camouflage it by calling it a painless tax. The idea of a sales tax is to chloroform or etherize the worker and his family as is illustrated in the extraction of a tooth by a dentist, the plan being first to render the patient unconscious and when he comes to he will find himself and his family carrying the burden of taxation for the Federal Government. They call it painless, meaning that the manufacturer will pass on the tax to the little fellow after he sells him the furniture or the products you have been talking about this afternoon, and the little fellow will be fleeced without knowing it. The wage earner and his family have to spend their all to live. Therefore, under this sales-tax amendment, they would have to pay a tax upon everything they would purchase. The moneyed man has a surplus after paying for his living expenses, and the sales tax does not apply to such surplus. I do not agree with the proposition of increasing the normal taxes on the middle classes. Nobody here likes that, but two wrongs do not make a right. When this bill gets over to the Senate, perhaps they will put in an excess-profits tax, thus providing a real cure for the situation, but they certainly will not put in a sales tax.

I hope the House will defeat the sales-tax proposition, and I hope the House will pass this bill.

Let me say in reference to the remark of my distinguished colleague from Arkansas [Mr. Ragon], when I was asking for time on this bill that I ought to get my time from the Republican side, meaning, facetiously, I suppose, that that is where I belonged, on the Republican side, because I vote my convictions on all public questions and refuse to be led around by the nose. [Applause.] I want to say to the gentleman from Arkansas that I do not yield to any Member of this House on my Democracy. I know I am just as good a Democrat as the gentleman from Arkansas, but if his idea of a Democrat means being a rubber stamp, then I am not that kind of a Democrat. [Applause.] I take my Democracy from Thomas Jefferson and Andrew Jackson, and they were not rubber stamps. [Applause.]

The Members of this House know that we had the 5-day week 6-hour day bill before the Committee on Labor, that we had long hearings on it and heard all the leading industrialists, farm groups, and labor leaders of the country give their views before this committee. That bill was reported unanimously and favorably by the Committee on Labor; but, as the Speaker said in a newspaper statement, it was put in the refrigerator, it was put on ice; in other words, the leadership would not allow it to come up for action by the House. Why? The best knowledge I have on the matter is that the President did not want the bill because it applied to foreign manufacturers as well as to American manufacturer, forcing the foreigner to work a 5-day week 6-hour day if he wanted to ship his goods to us in commerce. It would be obviously unfair to force our workers and manufacturers to work only 5 days and 6 hours daily and then allow the foreigners to work any number of hours at low wages and then compete in our markets with our own people. I want to call the attention of the Ways and Means Committee to the fact that in the present bill, on page 4, the following language occurs:

> Any violation of such standards in any transaction in or affecting interstate commerce shall be deemed an unfair method of competition in commerce within the meaning of the Federal Trade Commission Act, as amended.

The Federal Trade Commission Act, as amended, says that commerce means interstate and foreign commerce. So the same proposition is carried in this bill and the terms of this bill will apply to foreign manufacturers as did the terms of the Connery bill which they did not let us bring up. I call that to the attention of the House. The framers of this bill probably thought they were getting away from the foreign-import problem when they were getting away from the Connery bill, but it is in this bill, and I am mighty glad it is for the sake of protection for American workers, farmers, and manufacturers.

President Green, of the American Federation of Labor, who appeared before the Ways and Means Committee, said he favored this bill. Why? Because there is $3,300,000,000 for public works in the bill. The American Federation of Labor would rather have the Connery bill that the Committee on Labor brought out, but believing that no bill could get through Congress without the Presidential O.K.; and fearing to lose the public-works appropriation unless they favored the bill, Mr. Green went on record for this bill.

The American Federation of Labor at its last national convention went on record by a tremendous majority against the sales tax. Do not forget that. By a tremendous majority they voted against the sales tax.

When Mr. Green appeared before the Ways and Means Committee, he said that, as a last resort in an emergency, speaking for himself alone and not for the American Federation of Labor, he would accept a sales tax. I want the House to know this.

I hope this bill will pass. It does not do everything I want. I should like to see in it, as I say, an excess-profits tax. Under the rule adopted yesterday I cannot offer such an amendment. I hope they will put that on in the Senate. I hope in the Senate they will put in some provision that will make J. P. Morgan pay his income tax. I hope they will put in something over there that will protect the little fellow. We cannot get everything we want, but in this bill there is a minimum-wage provision and there is the abolition of the "yellow dog" contract, and the elimination of sweatshops, and let us hope that when we come back in January we will abolish child labor as we did in our bill, and do some more things for the benefit of labor in the United States.

In conclusion may I state that one of my reasons for supporting this bill is that it was sponsored in the Senate by Senator Wagner, of New York, who has sought constantly to improve the conditions of labor, who has continually championed the cause of the under dog. Knowing him as I do, I cannot feel that this bill, which he sponsored after consultation with the White House experts, is entirely satisfactory to him; but I do know that he is trying to help labor in this bill, and, with that object in mind, I am in hearty accord with him and I feel sure that this bill will do much to control the big monied interests of this country and bring about at least partial justice to the exploited, crushed masses of the workers of the Nation. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. All time has expired. Under the rule the bill is considered as having been read. The Chair recognizes the gentleman from North Carolina, the Chairman of the Ways and Means Committee, to offer committee amendments.

Mr. DOUGHTON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

> Committee amendment offered by Mr. Doughton: On page 12, in line 8, after the word "agreement", insert the words "or any commitment to bid upon or purchase bonds."

Mr. DOUGHTON. Mr. Chairman, this amendment is simply to make the language in this part of the bill conform to language in other parts of the bill. It is just a perfecting amendment.

The amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

> Committee amendment offered by Mr. Doughton: On page 13, line 17, after the word "units", insert the following: "*Provided further*, That this section shall not be applicable to public works under the jurisdiction or control of the Architect of the Capitol or of any commission for which such Architect is the contracting and/or executive officer."

Mr. DOUGHTON. Mr. Chairman, this is simply to leave jurisdiction of the improvements in the Capitol or Senate and House Office Buildings with the Architect of the Capitol or with congressional commissions, where it is under present law.

The committee amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. DOUGHTON: On page 13, line 18, strike out the word "quickly", and in line 19 insert the word "quickly" before the parenthesis.

Mr. KVALE. Mr. Chairman, I rise in opposition to the committee amendment.

Mr. Chairman, in a short time we are going to have to pass upon a motion to recommit. I am not going to discuss the committee amendment before us, but if someone does not interpose objection to my addressing myself to the motion to recommit, I want to remind the Members of the House sitting in Committee of the Whole of some facts with reference to this sales-tax proposition, for there will not be opportunity to discuss it when it is offered.

I am going to skip by the alternatives we had before us, the alternative of paying the cost of this public-works program by issuing new currency instead of by inflicting new taxes on the people to pay the interest on tax-exempt bonds and to amortize them. Our choice today lies between two alternatives, and limited as we are by the rules, they are these:

On the one side a tax upon the man of modest means, a heavy increase in his income taxes and almost no increase in the taxes of the wealthy. No substantial change, mind you, in the tax structure with respect to the surtaxes on the large incomes or the large inheritances, but a sharp increase in the normal tax rates on the modest income and a continuation of the nuisance taxes.

This is one picture; the other alternative is a tax upon the necessities of life, disguise it as you may, a tax upon the sales, a tax upon consumption, a tax that is directly in the face of and in contradiction of everything the administration is trying to do in the way of increasing the purchasing power of the people and in building up their aggregate national income and restoring values and inflating, if you choose to call it that, or expanding our resources and our earning power.

This is the choice you are going to be faced with in just a short time and I hope the lines will stand firm. I hope you will defeat the amendment that is going to be brought in; and for myself, in attempting to give my assistance to the defeat of that amendment, I am going to go farther and say that I regretfully cast my vote in opposition to the entire measure, not because I am not heartily for a public-works program, not that I do not trust the President of the United States in his effort to control and revive activity in industry, but because I feel that we should have had a chance to bring in amendments to all three titles of this measure, a chance which we were denied when the rule was voted yesterday, despite the opposition that we were able to bring against it.

So when this choice comes to take a sales tax or to take the tax which is in the measure at the present time, I shall choose the lesser of two evils, and trust that another body will make corrections in the measure which will permit us to vote for the conference report when it is brought in. But I shall stand against the sales tax that grinds down the earning power of the people and works directly against any program of recovery or inflation, to which we have been committed by earlier measures which have been crowded through this body.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from North Carolina.

The amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer another committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. DOUGHTON: On page 15, strike out lines 19 to 23, inclusive, and insert in lieu thereof the following:

"SEC. 204. (a) For the purpose of providing for emergency construction of public highways and related projects, the President is authorized to make grants to the several States in an aggregate amount of $400,000,000, to be expended in accordance with the provisions of the Federal Highway Act, approved November 9, 1921, as amended and supplemented, except as provided in this title, as follows."

Mr. DOUGHTON. Mr. Chairman, this is an amendment suggested by the Chief of the Bureau of Roads and also requested by the Committee on Roads of the House.

Mr. O'MALLEY. Will the gentleman yield? When was that request made by the Committee on Roads of the House? I happen to be a member of the committee and I know nothing about it.

Mr. RAGON. It was made last Saturday.

Mr. DOUGHTON. The chairman and two other members of the committee appeared before our subcommittee.

The amendment provides that the disbursement of the $400,000,000 for public roads shall be made through the same channels as the appropriation for roads under the present program, except as otherwise provided in this measure.

Mr. BLANCHARD. Will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. BLANCHARD. This is not the amendment that changes the allocation of funds?

Mr. DOUGHTON. No; it is not.

THE AMERICAN GOVERNMENT WAS NOT FOUNDED ON THE PRINCIPLES OF A DICTATORSHIP

Mr. BUSBY. Mr. Chairman, quite a number of Members who wanted to express themselves on this legislation, because of the limited time given for debate, were not permitted to do so.

UNITED STATES HAS GREAT RESOURCES

I think that America is such a great and wonderful country, with such boundless resources and such a high degree of training and intelligence, that it would be practically impossible to keep it from reviving under any kind of management under which the Government might be administered. I do not believe that with the great people we possess throughout the length and breadth of our country and the great natural resources the United States could continually be kept in the condition we find it today by the administration of economic affairs through rules laid down by men. I am certain we will come out of this condition, regardless of the type of legislation proposed today or any other legislation which does not seek to bind us hand and foot into a permanent condition of slavery.

THE UNITED STATES WILL RECOVER

We are going to come out of all this, regardless of what laws we enact or regardless of the fact that we do not enact any laws, because the people of the country are great.

I think that our Nation and our Government has been built up on certain fundamental principles, but I do not believe these principles will be preserved long if we continue to enact this kind of legislation, which is absolutely in contravention of those principles.

The Chairman of the Committee on Rules, Mr. POU, who has served 32 years in this House, said yesterday on the floor of this House: "Under this bill the President of the United States is made a dictator of industry."

Dictatorship is not in accord with the spirit of Americanism. A dictatorship was not one of the principles on which America was founded, and for that reason, given by those who advocate this legislation, I am compelled to vote against it.

When I go out of Congress I will go out with a good conscience and a feeling that I have served my country the best I could in keeping the oath that I took when I became a Member of this House. [Applause.]

I am one of those who believe "that the powers not delegated by the Constitution of the United States, nor prohibited by it to the States, are reserved to the States, respectively, or to the people." I think when we abandon the Constitution we are abandoning the fundamentals on which we built this great Nation.

Mr. JOHNSON of Oklahoma. Will the gentleman yield?

Mr. BUSBY. Yes.

Mr. JOHNSON of Oklahoma. I should like to ask the gentleman, whom I have learned to admire very much, and

whose ability I appreciate, how, in his judgment, the public-building program could be carried out?

ABANDON THE GOLD STANDARD AND GIVE US MORE MONEY

Mr. BUSBY. The gentleman and others know that for 2 years I have advocated this course by the Government: That if we go off the gold standard and put more money into circulation and take the people who manipulate the bank credit of the country for their selfish interests out of control of the Government, we will come out of this depression without surrendering the liberties of the people. [Applause.]

NATIONAL DEBT WILL BE INCREASED $10,000,000,000

The national debt of the United States is being increased at a very rapid rate. Before the program of expenditure which has been outlined by the President and his advisers is completed the national debt will have been increased ten or twelve billion dollars from what it was at the low level in 1930. It is presumed that this added debt will be financed by the sale of Government bonds. If so, then the interest burden that will be placed upon the taxpayers of the Nation will be something like $400,000,000 to $500,000,000 annually. These bonds will be tax exempt, so that their holders will pay no taxes to help meet this enormous increased burden of interest that must be met by the country.

THE FARMER WHO BORROWED AND SPENT

Our Nation is proceeding very much like a farmer who has a farm not heavily burdened with debt but no money. This farmer decided that he would place a $4,000 mortgage on his farm and secure some immediate cash. This he does. Then persuades himself to believe that he has reached a streak of prosperity because he has come into possession of ready money by mortgaging his farm at a high rate of interest. This farmer takes the money, goes out and clears useless tracts of land, digs ditches in uncultivated portions of his land, and makes extensive but useless improvements in order to give employment to idle labor on his farm. He wakes up near the end of his heyday of extravagance and expenditure to find that he has spent his patrimony like the proverbial drunken sailor. And the only thing he has left is the farm heavily laden with debt, a mortgage with maturing interest, and ditches he does not need.

He finds that it is impossible for him to raise funds to meet the interest, and his second state is worse than the first.

INCOME OF THE PEOPLE AND THE GOVERNMENT SHRUNK TWO THIRDS

The Government of the United States today is facing the fact that the annual income of all the people amounts to not much more than $30,000,000,000, when the average annual income for the years from 1923 to 1929, inclusive, was 78½ billion dollars. In other words, the shrinkage in the income of the people, as well as the shrinkage in the income of the Government, is about 66⅔ percent, or about $47,000,000,000 per annum. The shrinkage in the market value of all property is almost as much and the Government Budget has likewise become two thirds out of balance because of the loss of the incomes of the people.

Unemployment has resulted and every evil to society caused by unemployment is now upon us.

ONLY ONE PROBLEM TO BE MET—DEBT

One thing, and one thing only, must be dealt with and remedied in order to relieve our people of the deplorable condition in which they find themselves. Debt is the millstone about the neck of the Government. The increased burden of interest that is piling up on the taxpayers of the Nation. Debt likewise is weighing down every State, county, city, and district government; debt is the impassable barrier that is stopping the progress of the farm owners; those in cities and towns who have the small home as well as those who own more expensive homes. It is the burden being borne by every person and organization which has "promised to pay."

A PEOPLE OVERWHELMED WITH DEBT IS A PEOPLE IN SLAVERY

Any Nation or people overwhelmed with debt is a Nation in bondage and slavery, and doomed to suffer want and privation until debt is wiped out or until the paying power of the people is reestablished to that point where payments can be made with ease and comfort to liquidate the debt obligation.

Debts are always created in the light of circumstances existing at the time the sale or contract is completed. The probable paying power is reckoned by the debtor who obligates himself to pay.

BUYING POWER OF THE PEOPLE IS THE ONLY THING THAT CAN HELP

The only thing that will permanently help this Nation is to revive the buying power and earning power of the people so as to enable them to escape the burdens of debt. There are not but two phases of the problem necessary to be considered; one side of it is debt, the other side is destitution because of it.

THE PRESIDENT'S ADVISERS

The President and his advisers—I am inclined to believe that it is more his advisers who have determined upon a course which I do not believe will ever bring our Nation back to that degree of independence and prosperity to which its natural resources and the integrity of its people, with their great learning and capabilities, entitle it to. We will revive, but in spite of the kind of laws proposed here today.

GOVERNMENT IS DEFLATING BY SELLING BONDS

Like the farmer who mortgaged his farm and imagined that he is making progress because he has some ready money raised through the mortgage, our policy is to sell billions and more billions of interest-bearing, tax-exempt United States mortgages, or Government bonds, which cover all of the future earnings of the people and all the properties of the Nation. This may be termed a policy of "inflation", but the reverse is true: it is deflation and a process of tightening credits. To illustrate: A bank is about to loan a business man $10,000 in order that he may speed up operations and enlarge his business; but the bank learns that the Government is to sell an issue of 4-percent bonds, and, since these are first mortgages on all of the property of the people and on all of the future incomes of the people, the banker decides that instead of making the loan to the business man he will buy Government bonds. He does so and transfers the credits, which belong to the depositors or the people dealing with the bank, to the United States in exchange for the bonds.

When the business man comes back to the banker to complete the loan he had asked for he is told that the bank thought it more safe to do so and had decided to purchase Government bonds with the $10,000. Therefore, could not make him the loan.

That procedure is going on all over the country, and the Government itself, instead of inflating the currency and bank credits, is contracting that credit and robbing business of the opportunity of securing the relief it must have if there is ever to be a revival of conditions in this country.

GOVERNMENT BONDS

Bonds, Government bonds, have these qualities. They are, first: a general debt or mortgage against all of the property of the Nation and the future incomes of its people, as these may be taken through the exercise of the taxing power; second, they bear interest and constantly add a burden to the taxpayers; third, they have no circulating or legal-tender privilege, but when once bought they "freeze" or retire from other use that much credit which might be had by business. These are the leading qualities of a national bonding debt, but there are other reasons incident to these that cause the banker-minded and selfish advisers, who almost always control the financial policies of every administration, to favor issuing bonds, regardless of whatever party is in power.

ADVANTAGES TO BANKERS IN ISSUING BONDS

Some of the advantages to the big banker in issuing Government bonds are these: They will certainly be repaid at maturity with accrued interest unless the Government fails, goes bankrupt, and ceases to exist; next, they are tax exempt and those who receive returns from Government bonds are

not called upon to bear any part of the burden of Government.

Next, they are "liquid", and the more Government bonds we have in existence the more stable will be our banking set-up; because Government bonds can always be sold without very much risk of them depreciating in the market, since they are first mortgages on all of the people and all of the property of the Nation. Another advantage, they are payable in gold.

To sum it all up, a Government heavily bonded with a towering national debt is a Government sold to, owned, and controlled by the financial lords to which it has bowed for financial aid.

MONEY OR CURRENCY

I will call your attention to currency or money as a Government obligation first; it is a general debt against the people and obligates all of their property and the future incomes of the people are obligated to redeem money at its face value. Some have thought currency would and could be redeemed in gold, but informed persons never have believed this thing to be impossible, and recently, at a time when this country had more gold than any other country in the world and almost as much gold as it has ever had at any time, it failed to "redeem" the currency.

WEALTH OF THE NATION AND INCOMES OF THE PEOPLE IS ALL THAT MAKES BONDS OR MONEY VALUABLE

The wealth of the Nation and the income or earnings of the people, with the added intrinsic value of the trivial amounts of the gold and silver as commodities, is all that makes bonds of the Government good, and it is what makes the money of the Government good. Nothing else. The second quality of currency is that it is legal tender in payment of all debts. A third element, and one which is rebelled at by the financial lords, is that it does not bear interest.

BONDS AND MONEY

To restate: Bonds are a debt of the Nation bearing interest, do not have legal-tender or circulating privileges, and "freezes" the credits, cripples business. Money is a general debt of the Government, has circulating and legal-tender privileges, does not bear interest, and "frees" credit and business from the oppression of debt.

THE MEDIA OF EXCHANGE MACHINE

The media of exchange of this country is about $5,000,000-000 currency and $50,000,000,000 of bank credit. Forty-two billions of this belong to the depositors and eight billions to the banks. Bank credits are practically broken down at this time, because there is no purchasing power in the masses of the people. So when a bank make a loan on a house or a farm or something else, it cannot expect in the event the borrower does not repay to offer the house or farm or any other things securing a loan at a public sale and have some bidder buy in the property and return money to the bank for the loan made.

BREAKDOWN IN BANKS CAUSED BY LOSS OF BUYING POWER IN THE PEOPLE

The breakdown in our banking system as an agency to furnish credit or "check money" for business has come about directly because of the failure of the purchasing power of the people, which would make it safe for the bank to extend loans on property believing that it would be able to sell the pledge at public auction. This means that some person able and interested in buying the property in the event the borrower should default in paying his loan would be paid by the purchaser of the pledge. When the buying and paying power of the masses of the people is destroyed, the efficiency and use of the banking system is destroyed. Then all banks must arrive at that point where they are "unsound."

UNITED STATES BONDS ONLY DEPENDABLE LIQUID ASSETS

And there is no liquidity or dependable "liquid assets" obtainable by banks except United States Government bonds. That is one reason why the banker element of this country are crying out for a program to be put into operation by the President where more bonds and still more bonds be issued and sold to them by the Government.

PITTSBURGH BANK 98 PERCENT LIQUID

Recently I was in Pittsburgh, Pa., and was told that one bank there, owned and operated by one of the leading financial families of this country, had $150,000,000 of deposits and that it had on hand $138,000,000 of Government bonds, "first mortgages against all the people"; $5,000,000 in cash in its vaults; and some other millions of the best types of bond obligations to be had. So this bank had obligations to the amount of $150,000,000 due its depositors, and it held debts of the Government, money and bonds, to the amount of $143,000,000.

All banks could not do this, because there is not enough currency and not enough bonds. All the big banks are trying to shift onto Government bonds and obligations, while they pass the commercial paper and the undependable securities to the little banks. The big bankers then complain because the small banks fail as a result of having been worked into this undependable situation.

MONEY AND BANK CREDIT ONLY 30 PERCENT EFFICIENT

Bank credit and currency as a media of exchange are not now doing more than 30 percent of the work they did from 1920 to 1930. Bank credit is broken down, and the little amount of currency that is in existence has hidden out because the holders of it know that it is impossible for $5,000,000,000 of currency (not more than one half of this amount could be secured by the banks) to redeem and pay off $50,000,000,000 of bank deposits or bank debts promised by the bankers to the people.

QUIT SELLING BONDS AND PAY OUT SOME CASH

I come to the point I wish to present: It is absolutely impossible for this country to permanently reach a sound financial condition by continuing to sell its bonds. No nation can lend itself or its people out of debt. Such a course is deflation. It is a policy of contraction. Money must be used by the Government to pay current expenses, debts, or any other Government operation cost so as to place in the hands of business media of exchange. Three billion dollars would very probably be sufficient because, according to best authorities, a dollar placed in trade will do about 100 transactions a year. This would give an increase of some $30,000,000,000 in exchange power. This will also furnish a basis for a considerable increase as a base for bank credits, not as loans but as new deposits, and new money in the banks.

PRESIDENT SHOULD PUT NEW MONEY INTO BUSINESS

I repeat that it is absolutely imperative that the President, regardless of the selfish interests of the banker-minded element that surrounds him and his advisers, exercise some of the inflationary powers given him recently by the Congress and put into the field of commerce and business sufficient new currency to revive and restore the broken down media-of-exchange machine. Without doubt the public mind or mass psychology plays an important part on business. Before President Roosevelt came into power it had been heralded throughout the country that $2,000,000,000 of new money would be put into circulation. He told us in his inaugural address that the country should have sound but adequate currency.

INFLATION MUST COME

We have enacted another law which would authorize the President to displace $3,000,000,000 of Government bonds with a like amount of currency. The people became enthused over the prospects of a return of business because business and the price level are always exactly in proportion to the effective work of the media of exchange. So we began with the very beginning of the administration to go forward with accelerated speed, based solely on hope and enthusiasm.

WE HAVE GONE THUS FAR ON ENTHUSIASM

Enthusiasm has been the foundation for practically all of the recovery that business has experienced up to this time. The only way that we can tell when we have sufficient

money, bank credits, and media of exchange available to business is by the commodity price level and the action of business. The action of business and the commodity price level can absolutely and certainly be controlled by our present Federal Reserve set-up, if it has unselfish, disinterested, conscientious and intelligent management by those administering it.

It can never work satisfactorily to the people when placed in the hands of individuals who are on the inside of manipulations, and who are hooked up with as well as servile to international banking institutions dominated by the Morgans, the Mitchells, the Normans, the Wiggins, the Baruchs, Mellons, Mills, Meyers, and the innumerable satellites that form this galaxy of financial operators who have preyed upon the people and wrecked the economics of the Nation.

NOT NECESSARY TO ABANDON THE CONSTITUTION

It is not necessary for this Congress to tear down the Constitution which has formed the foundation on which has been builded this great nation. It is not necessary for the Members of this House to abandon the pledge we took as representatives of the people "to support the Constitution of the United States." It is not necessary to commit innumerous infractions against all the teachings that we have reversed as being the bulwark of the liberty of the people by enacting legislation such as this bill to tear them down even temporarily. It is only necessary to drive out the money changers and take over the Government again for the people; restore the currency which it is the constitutional duty of the Congress to do, and thereby enable the people to reengage in business and labor so they may rise up from their condition of want, suffering, and beggary and again be restored a free American citizenship from a condition of mendicancy to which they have been subjected by the poor management of their affairs.

I say again, I still believe "that the powers not delegated by the Constitution to the United States nor prohibited by it to the States are reserved to the States respectively or to the people." I still believe that when I took the oath of office as a Representative in Congress of the people of one of the districts of these United States, that that oath obligated me to "support and defend the Constitution of the United States against all enemies, foreign and domestic", that I "bear true faith and allegiance to the same", and that I "well and faithfully discharge the duties of the office on which I am about to enter", meant something.

BILL H.R. 5755 NOT THE WORK OF THE PRESIDENT

I do not believe that the bill H.R. 5755, reported and considered by the House of Representatives, was the brain child of President Roosevelt. I do not believe its enactment into law and its execution as a statute would be for the best interest of the people of our country. It is filled with special privileges for the favored and wealthy interests, from that part which provides for the raising of $3,300,000,000 to the provision which levies an added income of 50 percent on the small taxpayer and no increase in income on the large taxpayer. The provisions of this bill, according to the Chairman of the Rules Committee, subjects us, to use his language, to a dictatorship. The Chairman of the Ways and Means Committee has shown by the RECORD of May 25 that the chief witness sponsoring this bill was one Mr. Harriman, president of the United States Chamber of Commerce. Such influences should not prevail. I feel that I am best serving my country when I cast my vote against this bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina [Mr. DOUGHTON].

The amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer the following committee amendment.

The Clerk read as follows:

Page 17, line 8, after the word "State", insert "three quarters."

On page 17, line 11, after the first comma, insert "and one quarter in the ratio which the population of each State bears to the total population of the United States according to the last decennial census."

Mr. SABATH. Mr. Chairman, I rise in opposition to the amendment, and that for the purpose of submitting a question to the chairman of the committee. He and the members of the committee recognize the fact that I have been making a strenuous and honest effort to obtain an amendment that would clarify certain verbiage in sections 202 and 203. I had every assurance from the Rules Committee as well as from the Ways and Means Committee members that this would be done. And a short time ago I was informed by the chairman that the committee has been advised, and is of the opinion, that this amendment is not necessary and that the thing I am trying to accomplish by the amendment, to clarify and make positive that relief and aid for which I have contended, and for which the mayors of various cities appealed, is already included in the bill. The amendment reads as follows:

On page 13, line 25, after the figure "202", strike out the semicolon and insert a comma, and add the following: "such financing to be made by loans to, or the purchase of the bonds, tax-anticipation warrants, or securities of the State or political subdivision thereof which is to construct such project or projects."

Is that correct?

Mr. DOUGHTON. That is what the drafting experts assure us. I brought the amendment of the gentleman to the attention of the committee. It was debated at length. We consulted with the drafting experts, and they assured us that it was already provided for in the bill and that it would be surplus if included again.

Mr. RAGON. I might say that that was the idea of not only the Senate experts, but also of the House experts. They contended that perhaps the gentleman's amendment might limit it, and that the way it is now, it is as broad as the universe, and that they thought the purpose of the gentleman would be accomplished more readily by leaving the bill as it is now, rather than putting in possibly a limitation.

Mr. SABATH. And for that reason you firmly believe the amendment is not necessary?

Mr. DOUGHTON. That is true.

Mr. SABATH. I will take the gentleman's assurance and hope that the much-needed financial aid to the several municipalities will be not denied them, as it has up to this date.

Mr. FULLER. Mr. Chairman, I rise in opposition to the amendment.

Mr. BURNHAM. Mr. Chairman, I ask unanimous consent that the amendment be again reported.

There was no objection; and the Clerk again reported the amendment offered by Mr. DOUGHTON.

Mr. FULLER. Mr. Chairman, this amendment offered by the committee seriously affects more than two thirds of the States of the Union. It absolutely reorganizes their road appropriation and allocation from what it has been in the past, in 32 out of 48 States. It takes a large amount of money from 32 States and gives a great deal more to 16 other States. Under the law we have been operating under in building our roads since 1916 all road money from the Federal Bureau of Roads has been allocated one third on population, one third on area, and one third on road mileage. That present law is the same as in this bill, but since it was inserted in the bill the committee has had a change of heart, and now it offers an amendment which changes this rule, and provides that in the allocation of this $400,000,000 it will be allocated on the basis of one fourth to area, one fourth to mileage and one half to population. If this amendment is adopted here is what it will do. The following schedule shows substantially the amount each State will receive, also the amount each State will lose or gain by the adoption of this amendment:

State	Total	Amount gained	Amount lost
Arkansas	$7,765,000		$236,000
Alabama	8,553,000	$28,000	
Arizona	4,757,000		1,102,000
California	16,276,500	736,000	
Colorado	6,491,000		1,000,000
Connecticut	3,257,000	940,000	

State	Total	Amount gained	Amount lost
Delaware	$1,694,000		$300,000
Florida	5,258,800		160,000
Georgia	10,180,000		216,000
Idaho	4,127,500		884,000
Illinois	18,928,000	$2,000,000	
Indiana	10,287,000	128,000	
Iowa	9,744,000		628,000
Kansas	9,696,000		1,200,000
Kentucky	7,774,000	61,000	
Louisiana	6,076,000		260,000
Maine	3,318,000		240,000
Maryland	3,879,000	480,000	
Massachusetts	7,756,000	2,000,000	
Michigan	13,377,100	800,000	
Minnesota	10,512,000		720,000
Mississippi	7,039,000		164,000
Missouri	12,343,000		170,000
Montana	6,751,000		1,668,000
Nebraska	7,486,000		1,000,000
Nevada	4,014,000		1,240,000
New Hampshire	1,879,300		160,000
New Jersey	7,440,000	1,908,000	
New Mexico	5,259,000		1,292,000
New York	25,411,000	5,200,000	
North Carolina	9,805,300	180,000	
North Dakota	5,389,000		1,066,000
Ohio	16,644,400	1,280,000	
Oklahoma	9,175,200		456,000
Oregon	5,871,750		892,000
Pennsylvania	21,018,000	3,860,000	
Rhode Island	2,060,000	60,000	
South Carolina	5,584,500	(1)	
South Dakota	5,576,300		1,120,000
Tennessee	8,646,100		80,000
Texas	23,910,300		1,640,000
Utah	3,902,300		788,000
Vermont	1,793,100		208,000
Virginia	7,614,900	92,000	
Washington	6,075,800		328,000
West Virginia	4,719,500	304,000	
Wisconsin	9,874,000		96,000
Wyoming	4,037,800		1,100,000

[1] Practically even.

All the Western States except California will be wiped out as far as their progressive program is concerned. Roads in California will be of only local use if the States west of the Mississippi River are deprived of aid to build roads across the prairies and Rocky Mountains.

Mr. EATON. What about New Jersey?

Mr. FULLER. It profits to the extent of $2,000,000, of course.

Mr. MARTIN of Oregon. What about Oregon?

Mr. FULLER. Oregon loses $892,000. Washington loses $328,000.

Mr. ROGERS of New Hampshire. What about New Hampshire?

Mr. FULLER. New Hampshire loses $160,000.

Mr. LAMNECK. What about Ohio?

Mr. FULLER. Ohio gains.

Mr. MANSFIELD. What about Texas?

Mr. FULLER. Texas will lose $1,640,000.

Mr. FORD. What about California?

Mr. FULLER. California gains.

Mr. HASTINGS. Mr. Chairman, I ask unanimous consent that the time of the gentleman from Arkansas be extended for 5 minutes.

The CHAIRMAN. The time of the gentleman has not yet expired.

Mr. HASTINGS. I ask it now.

Mr. KOPPLEMANN. Mr. Chairman, I object.

Mr. HASTINGS. What about Oklahoma?

Mr. FULLER. Oklahoma loses to the extent of $456,000.

Mr. BOLAND. Is it not a fact that if this committee amendment is not adopted, that the State of Pennsylvania will lose over $3,000,000?

Mr. FULLER. Oh, no. The State would get the same proportion as it is getting now. It will profit under the proposed amendment approximately $2,000,000.

Mr. BOLAND. Oh, no.

Mr. FULLER. I know it will. I decline to yield further. Mr. Chairman, I would like to yield to these gentlemen, but I cannot. These figures came from the Bureau of Public Roads, from Mr. McDonald, the Director. I am a member of the Committee on Roads and nine tenths of the Roads Committee are against the amendment. The chairman of the committee, Mr. ALMON, is here and wants an opportunity to speak against this amendment.

I doubt if a majority of the Ways and Means Committee, if they were all polled, would be in favor of this amendment. I know many of them are not, and will not support this measure today.

Mr. BACHARACH. Will the gentleman yield?

Mr. FULLER. I cannot yield, on account of lack of time.

Here is the argument for this amendment, and it is not a just one: It is said there is more unemployment in the densely populated cities. That is true, but this is practically all the money that we people in the 36 States will get out of this $3,300,000,000 relief fund. The other $3,000,000,000 is going where it ought to go. It is going to the big cities of the Nation, to take care of those who are hungry and destitute.

They will obtain this money, according to the terms of the bill for Navy improvements, the building of hospitals, improvement of docks and harbors, building of ships, all as permanent improvements, and for like permanent improvements for the Army. They will receive more than any other portion of the United States and practically the greatest amount of the money that will be used for housing purposes. We are perfectly willing, and it is nothing more than right, that their destitute and needy should be taken care of; it is these densely populated localities that will receive the greatest portion, as they are today, under the $500,000,000 relief bill. It is not fair nor right to change the law in order to give more money out of this road fund to these localities. These 32 States that are suffering a loss need this money for road-building purposes and by reason of them having this portion they will put their unemployed to work and it will save a drain upon the $500,000,000 relief fund and loans from the Reconstruction Finance Corporation.

Every State west of the Mississippi, with the exception of California, sustains a most material loss. The Republicans have always pursued the policy of making liberal appropriations to the Western States, on account of so much public lands, and their inability to build continental highways by local taxation. To adopt this amendment would mean that as soon as the Democrats got in power, as soon as the West sent their great number of Democratic Members here, it will be the policy of the Democratic Party to slap them in the face and to take away from them that which they have been receiving from Republican administrations.

The provisions of this allocation permits the Government to not only use this money upon Federal highway projects but to build and improve secondary and feeder roads. Therefore, this money would go into every community and would take care of the unemployed and we would be able to survive this panic with very little, if any, dole or charity from the relief funds. The great States of the North and East should realize that they cannot prosper unless the great agricultural South and Northwest prosper. If the 16 States that are to materially profit by reason of this amendment vote solely from a financial standpoint, and do not consider the rights of their sister States, then, of course, this amendment will be adopted in the House. We cannot believe, however, if adopted, that it will ever become the law. The committee has offered no argument nor any substantial reasons as to why the law should be amended. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. KOPPLEMANN. Mr. Chairman, I rise in support of the amendment.

The CHAIRMAN. All debate is exhausted.

Mr. KOPPLEMANN. I do not understand it so, Mr. Chairman.

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from North Carolina.

Mr. CONNERY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. CONNERY. Under the rules could the gentleman from Connecticut [Mr. KOPPLEMANN] move to strike out the last words?

The CHAIRMAN. He could not.

Mr. KOPPLEMANN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. KOPPLEMANN. My contention is that the 5 minutes was not consumed in behalf of this amendment.

The CHAIRMAN. The gentleman from North Carolina [Mr. DOUGHTON] consumed 5 minutes in support of his amendment. The gentleman from Arkansas [Mr. FULLER] consumed 5 minutes in opposition to the amendment. All time is exhausted.

The question is on the amendment offered by the gentleman from North Carolina.

Mr. DOUGHTON. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DOUGHTON. I should like to inquire if I have any time remaining?

The CHAIRMAN. The gentleman from North Carolina consumed 5 minutes, most of which he yielded to his colleagues. The gentleman from Arkansas [Mr. FULLER] consumed 5 minutes. Under the rules, all debate on this amendment is exhausted.

The question is on the adoption of the amendment offered by the gentleman from North Carolina.

Mr. MALONEY of Connecticut. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MALONEY of Connecticut. Are we to assume that the States not mentioned by the gentleman from Arkansas——

Mr. O'MALLEY. Mr. Chairman, a point of order. That is not a parliamentary inquiry.

Mr. CLARKE of New York. A point of order, Mr. Chairman.

The CHAIRMAN. The gentleman is not stating a parliamentary inquiry.

The question is on the amendment offered by the gentleman from North Carolina [Mr. DOUGHTON].

The question was taken; and the Chair announced he was in doubt.

Mr. GOSS, Mr. McCLINTIC, and Mr. BLANTON demanded tellers.

Tellers were ordered, and the Chair appointed Mr. DOUGHTON and Mr. FULLER to act as tellers.

The committee again divided; and the tellers reported there were ayes 194 and noes 165.

So the amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. DOUGHTON: Page 17, line 13, after the word "State", where it appears the second time, insert a comma and the words "and such funds may also be used in lieu of State funds to match unobligated balances of previous apportionments of regular Federal-aid appropriations."

The committee amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Amendment offered by Mr. DOUGHTON for the committee: Page 18, line 10, insert the following:

"(f) Whenever, in connection with the construction of any highway project under section 202 or 204 of this act, it is necessary to acquire rights of way over or through any property or tracts of land owned and controlled by the Government of the United States, it shall be the duty of the proper official of the Government of the United States having control of such property or tracts of land, with the approval of the President and the Attorney General of the United States, and without any expense whatsoever to the United States, to perform any acts and to execute any agreements necessary to grant the rights of way so required, but if at any time the land or the property, the subject of the agreement, shall cease to be used for the purposes of a highway, the title in and jurisdiction over the land or property shall automatically revert to the Government of the United States, and the agreement shall so provide."

Mr. KVALE. I rise in support of the committee amendment, Mr. Chairman.

Mr. BANKHEAD. Mr. Chairman, will not the gentleman from North Carolina [Mr. DOUGHTON] make a brief explanation of what this is?

Mr. DOUGHTON. The purpose of this amendment is to avoid the necessity of coming to Congress for authorization for permission where it is desired to construct a road or highway across a military reservation or property of the United States, provided the approval of the President and the Attorney General is secured.

Mr. GOSS. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GOSS. Would that include War Department property?

Mr. DOUGHTON. Any property owned by the Government, I understand.

Mr. GOSS. I mean property of the Government under the control of the War Department.

Mr. DOUGHTON. I so understand.

Mr. GOSS. So that the bridge at The Dalles, Wash., permission to build which has been objected to when bills seeking this authority have come before the House, could be built under this provision?

Mr. DOUGHTON. It is to avoid the necessity of coming to Congress for affirmative legislation to build a highway across or secure right of way across property of the United States, provided approval is obtained from the President and the Attorney General.

Mr. KVALE. Mr. Chairman, I hope the committee will listen for 1 minute to a two-sentence editorial, which appears in today's News. It reads as follows:

With the people indignantly demanding that the income tax be changed in such a way that the Morgans and their kind can no longer escape, some short-sighted Members of Congress ask, Why not substitute the sales tax for the income tax?

The answer is simple.

Morgan and his partners paid an income tax of about $11,000,000 for 1929. How much tax would they have paid under the sales tax method?

Mr. MILLARD. Mr. Chairman, I make the point of order the gentleman is not confining his remarks to the amendment.

The CHAIRMAN. The Chair sustains the point of order.

Mr. KVALE. I have read the editorial. I yield back the balance of my time.

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

The amendment was agreed to.

Mr. DOUGHTON. Mr. Chairman, I offer a further committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. DOUGHTON: Page 18, line 4, strike out the word "directly."

The amendment was agreed to.

Mr. RAGON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Amendment offered by Mr. RAGON for the committee: Page 21, after line 25, insert a new subsection, as follows:

"(d) Effective as of January 1, 1933, sections 117, 23(i), 169, 187, and 205 of the Revenue Act of 1932 are repealed. In cases where the effect of this subsection is to require for a taxable year ending prior to June 30, 1933, the making of an income-tax return not otherwise required by law, the time for making the return and paying the tax shall be the same as if the return was for a fiscal year ending June 30, 1933."

Mr. RAGON. Mr. Chairman, I think some explanation of this amendment should be made for the information of the House.

It is our purpose in this amendment to cure as much as we can the defects that have recently shown the country just how ineffective some of our tax laws are by permitting some of our great financiers to avoid taxes.

In 1921 we passed a law permitting individuals and corporations to carry their losses over 2 years. In 1932, last year's session, we cured that so as to provide no carry-over so far as the House is concerned, but the Senate wrote in a provision limiting the carry-over to 1 year.

Under the provisions of the amendment I have offered, the 2-year carry-over is cut out altogether and an individual may take his loss only in the year in which it occurred.

Now, may I speak frankly here? There has been a great deal of criticism, as suggested by the gentleman from Minnesota just a moment ago as to a certain investigation that is going on in the Senate now. I am frank to say to you that I doubt very much whether there was anything dishonest or in any way subject to criticism upon the part of the parties who were the beneficiaries of the escapement of the tax. It was due entirely to our tax provisions. For instance, if in 1932 a man made $5,000 which was subject to tax, he had the right to a credit on that of $10,000 he lost in 1929. If he lost an additional $5,000 in 1931, you can see he was excused from paying any taxes whatever, notwithstanding the fact he had made money in 1930 and 1931.

Our purpose is to make the individual take the credit for losses, which is right because they hit the big fellow and the little fellow alike, in the year in which they are sustained.

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

Mr. RAGON. We cannot, of course, make this retroactive, the gentleman understands.

Mr. BRITTEN. That was not my idea. The gentleman stated a concrete case which was entirely correct, but I am thinking of the big manipulator who has a tremendous loss in depreciated stocks one year but only sells half of the stock one year and sells the other half in the succeeding year.

Mr. VINSON of Kentucky. He does not get that loss if he does not sell it. It may depreciate in value but as long as he holds it he does not get any allowance for the loss in his income-tax return.

Mr. BRITTEN. Of course, he does not, and that is how he is going to evade the law, even under this amendment,

Mr. RAGON. I may say to my friend that he has to sell it and take his loss, and he then takes his loss in the year in which the loss occurs. He is not allowed to spread it over a period of 2 years.

Mr. BRITTEN. But he does take the loss in the year in which he sells the stock.

Mr. RAGON. Yes; and he is entitled to that loss. I do not think we want to shut off a loss of that kind.

Mr. SHOEMAKER. Will the gentleman yield?

Mr. RAGON. Yes.

Mr. SHOEMAKER. Has the committee considered a gross-earning tax to supplement the present income tax? There would be no chance to avoid a tax of that kind by anyone.

Mr. RAGON. That is a very pertinent question and some of us have had that very heavy on our minds and hearts, but in that event you are getting to the point where you would have to readjust all your present graduated income taxes.

Mr. SHOEMAKER. It looks as though we are going to have to do that anyway.

[Here the gavel fell.]

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

The amendment was agreed to.

Mr. RAGON. Mr. Chairman, I offer a perfecting committee amendment.

The Clerk read as follows:

Amendment offered by Mr. RAGON: Page 22, after line 14, insert a new subsection, as follows:

"No interest shall be assessed or collected in respect of any period prior to September 15, 1933, upon such portion of any amount determined as a deficiency in income taxes as is attributable solely to the amendments made to the Revenue Act of 1932 by this act."

Mr. RAGON. Mr. Chairman, this is simply to carry out the purposes of the last amendment and is what might be called a "perfecting amendment" to the amendment which has just been agreed to.

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

The amendment was agreed to.

Mr. RAGON. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. RAGON: Page 23, after line 9, insert a new subsection, as follows:

"(1) Effective as of the fifteenth day following the date of the enactment of this act, section 616 of the Revenue Act of 1932 is amended to read as follows:

"'SEC. 616. Tax on electrical energy.

"'(a) There is hereby imposed upon electrical energy sold for domestic or commercial consumption and not for resale a tax equivalent to 3 percent of the price for which so sold, to be paid by the vendor under such rules and regulations as the Commissioner, with the approval of the Secretary, shall prescribe.

"'(b) The provisions of sections 619, 622, and 625 shall not be applicable with respect to the tax imposed by this section.

"'(c) No tax shall be imposed under this section upon electrical energy sold to the United States or to any State or Territory, or political subdivision thereof, or the District of Columbia. The right to exemption under this subsection shall be evidenced in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

"'(2) Despite the provisions of this subsection the tax imposed under section 616 of the Revenue Act of 1932 before its amendment by this subsection on electrical energy furnished before the 15th day following the date of the enactment of this act, shall be imposed, collected, and paid in the same manner and shall be subject to the same provisions of law (including penalties) as if this subsection had not been enacted.'"

The CHAIRMAN. Under the rule the Committee automatically rises.

The Committee accordingly rose; and the Speaker having resumed the chair, Mr. LOZIER, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, and under House Resolution 160 he reported the bill back to the House with sundry amendments adopted by the Committee.

The SPEAKER. Under the rule the previous question is ordered. Is there a separate vote demanded on any amendment?

Mr. BLANTON. Mr. Speaker, I demand a separate vote on the Doughton amendment, on which there was a teller vote in the committee.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them in gross.

The other amendments were adopted.

The SPEAKER. The Clerk will report the amendment on which a separate vote is demanded.

The Clerk read as follows:

Page 17, line 8, after the word "States", insert "three quarters."

On page 17, line 11, after the first comma, insert "and one quarter in the ratio which the population of each State bears to the total population of the United States according to the last decennial census."

Mr. BLANTON. And on that amendment, Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 222, nays 181, not voting 27, as follows:

[Roll No. 48]

YEAS—222

Adair	Brunner	Culkin	Farley
Allen	Bulwinkle	Cullen	Fiesinger
Andrew, Mass.	Burch	Darden	Fitzgibbons
Andrews, N.Y.	Burke, Calif.	Darrow	Fitzpatrick
Arnold	Burnham	Delaney	Flannagan
Auf der Heide	Cady	Dickstein	Focht
Bacharach	Carley	Dingell	Ford
Bacon	Carter, Calif.	Dirksen	Foss
Bakewell	Cavicchia	Ditter	Foulkes
Beam	Celler	Dobbins	Gambrill
Beck	Church	Dockweiler	Gavagan
Beiter	Clark, N.C.	Dondero	Goldsborough
Berlin	Clarke, N.Y.	Doughton	Goodwin
Black	Cochran, Pa.	Douglass	Goss
Bland	Colden	Doutrich	Granfield
Bloom	Cole	Drewry	Gray
Boehne	Collins, Calif.	Duffey	Greenwood
Boland	Condon	Dunn	Griffin
Bolton	Connery	Durgan, Ind.	Griswold
Boylan	Connolly	Eaton	Haines
Brennan	Cooper, Ohio	Edmonds	Hancock, N.Y.
Britten	Corning	Eltse, Calif.	Hancock, N.C.
Brooks	Crosby	Englebright	Harlan
Brown, Mich.	Crowe	Evans	Hart
Brumm	Crowther	Faddis	Harter

Hartley	Lehr	Peyser	Sweeney
Healey	Lesinski	Polk	Swick
Hess	Lewis, Md.	Powers	Taber
Higgins	Lindsay	Prall	Thom
Hollister	Luce	Ramsay	Thompson, Ill.
Holmes	Ludlow	Ransley	Tinkham
Hooper	McCormack	Rich	Traeger
Imhoff	McFadden	Richardson	Treadway
James	McGrath	Robertson	Truax
Jenckes	McLean	Rogers, Mass.	Turpin
Jenkins	McLeod	Rudd	Umstead
Johnson, W.Va.	Major	Sabath	Underwood
Kahn	Maloney, Conn.	Sadowski	Wadsworth
Kee	Mapes	Schaefer	Waldron
Kelly, Ill.	Marshall	Schuetz	Walter
Kelly, Pa.	Martin, Mass.	Schulte	Warren
Kennedy, Md.	Mead	Secrest	Watson
Kennedy, N.Y.	Meeks	Seger	Weaver
Kenney	Merritt	Sirovich	Weideman
Kinzer	Millard	Sisson	Welch
Kloeb	Muldowney	Smith, Va.	West, Ohio
Kniffin	Musselwhite	Smith, W.Va.	Whitley
Kocialkowski	Nesbit	Snyder	Wigglesworth
Kopplemann	O'Brien	Somers, N.Y.	Wolcott
Kramer	O'Connell	Stalker	Wolfenden
Kurtz	O'Connor	Stokes	Wolverton
Lambeth	Oliver, N.Y.	Strong, Pa.	Woodruff
Lamneck	Palmisano	Stubbs	Woodrum
Lanzetta	Parker, N.Y.	Studley	Young
Larrabee	Parsons	Sullivan	
Lehlbach	Pettengill	Sutphin	

NAYS—181

Adams	Dickinson	Lanham	Robinson
Allgood	Dies	Lea, Calif.	Rogers, N.H.
Almon	Disney	Lee, Mo.	Rogers, Okla.
Arens	Doxey	Lemke	Romjue
Ayers, Mont.	Driver	Lewis, Colo.	Ruffin
Ayres, Kans.	Duncan, Mo.	Lloyd	Sanders
Bailey	Eagle	Lozier	Sandlin
Bankhead	Eicher	Lundeen	Scrugham
Beedy	Ellzey, Miss.	McCarthy	Sears
Biermann	Fernandez	McClintic	Shallenberger
Blanchard	Fletcher	McDuffie	Shannon
Blanton	Frear	McFarlane	Shoemaker
Boileau	Fuller	McGugin	Sinclair
Brown, Ky.	Fulmer	McKeown	Smith, Wash.
Browning	Gasque	McMillan	Spence
Buchanan	Gibson	McReynolds	Steagall
Buck	Gilchrist	McSwain	Strong, Tex.
Burke, Nebr.	Gillette	Maloney, La.	Swank
Busby	Glover	Mansfield	Tarver
Byrns	Green	Martin, Colo.	Taylor, Colo.
Caldwell	Gregory	Martin, Oreg.	Taylor, S.C.
Cannon, Mo.	Guyer	May	Taylor, Tenn.
Carden	Hamilton	Miller	Terrell
Carpenter, Kans.	Hastings	Milligan	Thomason, Tex.
Carpenter, Nebr.	Henney	Mitchell	Thurston
Carter, Wyo.	Hildebrandt	Monaghan	Tobey
Cartwright	Hill, Ala.	Moran	Turner
Cary	Hill, Knute	Morehead	Utterback
Castellow	Hill, Samuel B.	Mott	Vinson, Ga.
Chapman	Hoeppel	Murdock	Vinson, Ky.
Chase	Hoidale	O'Malley	Wallgren
Chavez	Hope	Oliver, Ala.	Wearin
Christianson	Howard	Owen	Werner
Cochran, Mo.	Huddleston	Parker, Ga.	West, Tex.
Coffin	Hughes	Parks	White
Collins, Miss.	Jacobsen	Patman	Whittington
Colmer	Jeffers	Peavey	Wilcox
Cooper, Tenn.	Johnson, Minn.	Peterson	Willford
Cox	Johnson, Okla.	Pierce	Williams
Cravens	Johnson, Tex.	Ragon	Wilson
Cross	Jones	Ramspeck	Withrow
Crump	Keller	Rankin	Wood, Ga.
Cummings	Kleberg	Rayburn	Zioncheck
Dear	Knutson	Reece	
Deen	Kvale	Reilly	
DeRouen	Lambertson	Richards	

NOT VOTING—27

Abernethy	Fish	Montague	Reed, N.Y.
Buckbee	Gifford	Montet	Reid, Ill.
Cannon, Wis.	Gillespie	Moynihan	Simpson
Claiborne	Hornor	Norton	Snell
Crosser	Kemp	Perkins	Sumners, Tex.
De Priest	Kerr	Pou	Wood, Mo.
Dowell	Marland	Randolph	

So the amendment was agreed to.

The Clerk announced the following pairs:

Until further notice:

Mr. Pou with Mr. Snell.
Mr. Abernethy with Mr. Dowell.
Mr. Sumners of Texas with Mr. Simpson.
Mrs. Norton with Mr. Reid of Illinois.
Mr. Montet with Mr. Perkins.
Mr. Kemp with Mr. Gifford.
Mr. Fish with Mr. De Priest.
Mr. Montague with Mr. Reed of New York.
Mr. Kerr with Mr. Buckbee.
Mr. Crosser with Mr. Moynihan.
Mr. Cannon of Wisconsin with Mr. Claiborne.
Mr. Marland with Mr. Randolph.
Mr. Wood of Missouri with Mr. Gillespie.

The result of the vote was announced, as above recorded.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. McCORMACK. Mr. Speaker, I move to recommit the bill with instructions.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. McCORMACK. I am opposed to the bill in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read the motion to recommit, as follows:

Mr. McCORMACK moves to recommit the bill (H.R. 5755) to the Committee on Ways and Means with instructions to strike out all of section 208, except subsections (f) and (g), and to report the bill back to the House with an amendment inserting in lieu of the portion stricken out a general manufacturers' excise tax of 2½ percent, from the scope of which all sales of food, clothing, and medicine shall be exempt. The said tax shall be in lieu also of the following manufacturers' excise taxes imposed by title IV of the Revenue Act of 1932: Tax on tires and inner tubes (sec. 602); tax on automobiles, trucks, and accessories (sec. 606); tax on radio receiving sets, etc. (sec. 607); and in lieu of the following miscellaneous taxes imposed by title V of the Revenue Act of 1932: Tax on checks, etc. (sec. 751); tax on use of boats (sec. 761); and to report the bill back forthwith with the following amendments:

Strike out all of section 208, except subsections (f) and (g), which shall become subsections (a) and (b), respectively; and insert the following new title following section 209 of the bill:

TITLE II

A. MANUFACTURERS' EXCISE TAX

"SEC. 210. Imposition of tax.

"(a) There is hereby imposed a tax of 2½ percent of the sale price on the sale of every article sold in the United States by the manufacturer or producer thereof, if licensed or required to be licensed under this title, except in the case of—

"(1) sales by a licensed manufacturer to another licensed manufacturer of articles for further manufacture;

"(2) sales by a licensed manufacturer to a registered dealer of articles for further manufacture to be resold to a licensed manufacturer or to a registered dealer;

"(3) sales by a licensed manufacturer to any person of articles for further manufacture to be resold to a licensed manufacturer, but only if such articles are delivered by the first licensed manufacturer to the second licensed manufacturer;

"(4) sales for exportation;

"(5) sales to a State or political subdivision thereof, or any agency thereof, of articles for use solely in the exercise of a governmental function; and

"(6) sales of articles hereinafter specifically exempted and articles taxable under section 601 (c) (2) or (3) of the Revenue Act of 1932, relating to tax on brewer's wort, malt syrup, grape concentrate, and so forth, or section 617 of the Revenue Act of 1932, relating to tax on gasoline.

"(b) In addition to any other tax or duty imposed by law, there is hereby imposed a tax of 2½ percent ad valorem on every article imported into the United States, unless—

"(1) the consignee (within the meaning of the Tariff Act of 1930) is a licensed manufacturer (or his agent) and the article is an article for further manufacture;

"(2) the consignee (within the meaning of such act) is a registered dealer (or his agent) and the article is an article for further manufacture to be sold to a licensed manufacturer or to a registered dealer;

"(3) the article is imported by a State or political subdivision thereof, or any agency thereof, for use solely in the exercise of a governmental function; or

"(4) the article is specifically hereinafter exempted or is taxable under section 601 (c) (2) or (3) of the Revenue Act of 1932, relating to tax on brewer's wort, malt sirup, grape concentrate, etc., or section 617 of the Revenue Act of 1932, relating to tax on gasoline.

"(c) The tax imposed under subsection (b) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such act, except that—

"(1) the value on which such tax shall be based shall be the sum of the dutiable value (under sec. 503 of such act) of the article plus the duties, if any, imposed thereon under any provision of the customs laws;

"(2) for the purposes of section 489 of such act (relating to additional duties in certain cases of undervaluation) such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article; and for the purposes of section 336 of such act (the so-called 'flexible tariff provision') such tax shall not be considered a duty;

"(3) such tax shall not be imposed upon any article imported prior to the date on which this title takes effect;

"(4) no drawback of such tax shall be allowed under section 313 (a), (b), or (f) of the Tariff Act of 1930 or any provision of law allowing a drawback of customs duties on articles manufactured or produced with the use of duty-paid materials;

"(5) such tax shall be imposed in full, notwithstanding any provision of law or treaty granting exemption from or reduction of duties to products of any possession of the United States or of any country; and

"(6) when he deems such action to be in the interest of the revenue, the Secretary may direct that such tax with respect to any class of articles designated by him shall be levied, assessed, collected, and paid in the same manner and subject to the same provisions of law as the tax imposed by subsection (a).

"(d) No tax shall be imposed under this title upon the sale or importation of the following articles:

"(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.

"(2) Medicines.

"(3) Wearing apparel for any part of the body.

"(4) Agricultural products.

"(5) Garden or field seeds.

"(6) Malt sirup, in containers of not less than 50 pounds each, to a baker for use in the making of bread.

"(7) Water not in closed containers.

"(8) Bibles, comprising the books of the Old or New Testament, or both.

"(9) Rosaries, chaplets, medals, and similar articles of religious devotion; hymn books, prayer books, and manuals of religious devotion.

"(10) Altars, pulpits, communion tables, baptismal fonts, and shrines; parts thereof; religious statuary and pictures; collection envelopes, plates, and baskets; cassocks, banners, and articles of regalia worn on the person or carried in the hand; tapers, lights, and candles; sanctuary oil; all the foregoing when manufactured exclusively for use in houses of worship.

"(11) Tobacco or tobacco products."

(e) Exemption under this section of sales or importations shall be allowed or granted only upon compliance with the regulations.

"SEC. 211. Tax on sales by registered dealers: (a) There is hereby imposed on the sale or other disposition by a registered dealer of any article sold to or imported by him free of tax by virtue of his registration, if not sold as an article for further manufacture to a licensed manufacturer or registered dealer, a tax of 2½ percent of the price (subject to the provisions of section 212 (a)) at which such article was sold to such registered dealer, plus, in the case of an imported article, the amount of duties imposed thereon under any provision of the customs laws, if not included in such price. If the Commissioner determines that the records with respect to any article are inadequate, such article shall be held to be sold otherwise than as an article for further manufacture to a licensed manufacturer or registered dealer.

"(b) If the Commissioner determines that it is not necessary in the interests of the revenue to trace the identity of articles of any class in the hands of registered dealers, the regulations may provide a method of determining the proper tax liability of registered dealers with respect to articles of that class without regard to the identity of the individual articles.

"(c) Articles of such classes as the Commissioner may prescribe may (in accordance with the regulations) be sold to or imported by registered dealers free of tax when it is impracticable to determine whether or not they will be resold as articles for further manufacture to licensed manufacturers or registered dealers, and the tax provided for in subsection (a) shall be imposed with respect to such articles if not so resold.

"SEC. 212. Sale price: (a) Generally.—In determining the sale price of an article there shall be included any charge for coverings and containers of whatever nature, and any charge incident to placing the article in condition packed ready for shipment, but there shall be excluded the amount of tax imposed by this title, whether or not stated as a separate charge. A transportation, delivery, insurance, installation, or other charge (not required by the foregoing sentence to be included) shall be excluded from the sale price only if the amount thereof is established to the satisfaction of the Commissioner, in accordance with the regulations.

"(b) Sales on consignment.—In the case of an article sold on consignment, the sale price shall be the fair manufacturer's price for the article.

"(c) Retail sales by licensed manufacturer.—In the case of an article sold by the manufacturer or producer thereof at retail (or directly to the consumer or user), the tax shall (if based on the sale price) be imposed upon the price at which so sold, except that in the case of any such article ordinarily sold at wholesale (or directly to the consumer or user at prices varying with the quantity or character of use) by manufacturers or producers, the tax shall (if based on the sale price) be imposed upon the fair manufacturer's price for the article.

"(d) Installment sales: In the case of a contract for the sale by a licensed manufacturer of an article wherein it is provided that the sale price shall be paid to the manufacturer by installments, and the title to the article sold does not pass to the purchaser thereof until a future date notwithstanding partial payment by installments, or in the case of a conditional sale, each partial payment shall be regarded as a sale and there shall be imposed upon each payment that part of the tax which is proportionate to the part of the sale price represented by such payment.

"(e) Leases and royalties: If a licensed manufacturer leases an article or transfers the right of using the article but not the title thereto, or imposes a royalty on the use of an article, each payment with respect to the article shall be treated as a sale and the tax shall (if based on the sale price) be imposed upon the amount of such payment. Any such lease, transfer, or imposition of royalty on the use of any article by a registered dealer shall be treated as a sale.

"(f) Manufacture under contract: For the purposes of this title a person who manufactures or produces an article for another person who furnishes materials and retains title thereto, shall be regarded as the manufacturer or producer of the article, and the tax shall be imposed upon the first payment, or, if the tax is based on the sale price and there is more than one payment, the tax shall be imposed pro rata upon each payment; except that the person so furnishing materials shall be regarded as the manufacturer or producer of the article (1) if the article is to be resold by him and the effect of the application of this provision is to require him to be licensed under this title, or (2) if he is a licensed manufacturer.

"(g) Use or transfer of article in special cases: If a manufacturer or producer—

"(1) uses (including use as material in repair work), otherwise than as an article for further manufacture, an article manufactured or produced by him, or sold to or imported by him free of tax by virtue of his license;

"(2) transfers the title to an article by gift;

"(3) transfers the title to, or the right to use, an article to any person (otherwise than through an arm's-length transaction) at less than the fair market price;

such use or transfer shall be considered a sale for the purposes of this title, and the sale price shall be the fair manufacturer's price for such article, with allowance for any tax previously paid with respect to any materials used in manufacturing or producing the article.

"(h) For the purposes of this section the fair manufacturers' price for an article shall be a fair manufacturers' or producers' sale price for the article at the place of manufacture or production, as determined by the Commissioner, by reference to actual sales or to costs of manufacture or production, or otherwise.

"SEC. 213. Overpayments, credits, and refunds: (a) A credit against tax under this title, or a refund, may be allowed or made—

"(1) To a licensed manufacturer, in the amount of any tax under this title which has been paid with respect to an article for further manufacture purchased by him.

"(2) To a manufacturer or producer when he becomes licensed, in the amount of any tax paid under this title with respect to articles for further manufacture on hand when the license is granted.

"(3) To the exporter, in the case of an article sold for exportation or exported for sale, in the amount of any tax paid under this title with respect to the article.

"(4) To a licensed manufacturer or registered dealer who has paid tax under this title with respect to an article, when the sale price on which the tax was based is readjusted by reason of return or repossession of the article or a covering or container, or by a bona-fide discount, rebate, or allowance, in the amount of that part of the tax proportionate to the part of the sale price which is refunded or credited.

"(b) Credit or refund under subsection (a) shall be allowed or made only upon compliance with the regulations.

"(c) In no case shall interest be allowed with respect to any amount of tax under this title credited or refunded.

"(d) In no case shall both credit or refund under subsection (a) and remission or drawback under the customs laws of the tax imposed by this title be allowed on account of the exportation of an article.

"(e) No overpayment of tax under this title shall be credited or refunded (otherwise than under subsection (a)), in pursuance of a court decision or otherwise, unless the person who paid the tax establishes, in accordance with regulations, (1) that he has not included the tax in the price of the article with respect to which it was imposed, or collected the amount of tax from the vendee, or (2) that he has repaid the amount of the tax to the ultimate purchaser of the article, or unless he files with the Commissioner written consent of such ultimate purchaser to the allowance of the credit or refund.

"SEC. 214. Licensed manufacturers and registered dealers: (a) Manufacturers and producers: Every manufacturer or producer (except as hereinafter provided) is hereby required to take out an annual license, in accordance with regulations, and shall pay a fee of $2 therefor. Licenses under this section shall expire upon June 30 of each year.

"(b) Exemptions: No license shall be required (but a license may be granted upon application) in the case of a manufacturer or producer (other than a manufacturer or producer of articles taxable under section 601 (c) (2) or (3) of the Revenue Act of 1932, relating to tax on brewer's wort, malt sirup, grape concentrate, etc.)—

"(1) if a farmer, with respect to his agricultural products; or

"(2) if for the preceding year the total sale price of all articles (other than exempt articles) manufactured or produced by him was less than $20,000; or

"(3) if, in the case of a manufacturer or producer not engaged in manufacture or production of articles (other than exempt articles) during the whole of the preceding year, such manufacturer or producer files with the Commissioner a statement under oath that to the best of his belief the probable total sale price of all articles (other than exempt articles) to be manufactured or produced by him during the year for which the exemption is

claimed will be less than $20,000; but in the case of any manufacturer or producer exempted under clause (2) or (3) of this subsection, if the Commissioner determines, on the basis of sales for any period during the year for which the exemption was granted, that the probable total sale price of all articles (other than exempt articles) manufactured or produced by such manufacturer or producer during such year will not be less than $20,000, or if the total sale price of all articles (other than exempt articles) manufactured or produced and sold by such manufacturer or producer during such year reaches $20,000, such manufacturer or producer shall thereupon be required to be licensed.

"(c) Dealers and importers: A dealer in or importer of articles for further manufacture to be sold to licensed manufacturers or registered dealers may be granted an annual registration by the Commissioner, upon application in accordance with regulations and payment of a fee of $100. Registrations under this subsection shall expire upon June 30 of each year.

"(d) Revocation or cancelation of dealer's registration: If the Commissioner finds that a registered dealer has violated any provision of law applicable to the tax imposed by this title, he may revoke his registration. If the registration of any registered dealer is revoked, he shall not be entitled to registration within a period of 1 year after such revocation. The registration of any registered dealer may be canceled upon application by him.

"(e) Tax on revocation, cancelation, or expiration of registration: If a registered dealer's registration is revoked or canceled under subsection (d), or if a registered dealer's registration expires and is not renewed, he shall pay the tax imposed by this title (as if on a taxable sale at the time of revocation, cancelation, or expiration) on all articles purchased or imported by him free of tax by virtue of his registration and not resold by him prior to such revocation, cancelation, or expiration.

"(f) Tax on registered dealer on date title ceases to be in effect: Every dealer or importer registered on the day on which the tax imposed by this title ceases to be in effect shall pay the tax imposed by this title (as if on a taxable sale on such date) on all articles purchased or imported by him free of tax by virtue of his registration and not resold by him on or before such date.

"(g) Tax on expiration of manufacturer's or producer's license: If a manufacturer or producer ceases to be licensed before the date on which the tax imposed by this title ceases to be in effect, he shall pay the tax which would be imposed on a sale to him, as of the date on which he ceases to be licensed, of all articles purchased or imported by him free of tax by virtue of such license and not used as articles for further manufacture in the manufacture or production of articles on the sale of which tax has been imposed under this title prior to such date.

"SEC. 215. Returns, records, and payment and collection of tax:

"(a) Every licensed manufacturer or registered dealer and every person liable for any tax under this title (other than tax levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930) shall make monthly returns under oath and pay the tax to the collector for the district in which is located his principal place of business, or if he has no principal place of business in the United States, to the collector at Baltimore, Md. Such returns shall be made on or before the last day of each month for the preceding month, and shall contain such information and be made in such manner as the regulations prescribe.

"(b) The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 1 percent a month from the time when the tax became due until paid.

"(c) Every licensed manufacturer and registered dealer, and every person liable for any tax imposed by this title (except tax levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930) shall keep such records, render under oath such statements, and comply with such regulations, as the Commissioner with the approval of the Secretary may from time to time prescribe. Whenever in the judgment of the Commissioner necessary, he may require any person, by notice served upon him, to make a return, render under oath such statements, or keep such records as the Commissioner deems sufficient to show whether or not such person is liable for tax under this title (except tax levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930), and the amount of any such liability. All records required under authority of this section with respect to any sale shall be kept in such manner as to be readily accessible to the Commissioner or his agents for a period of 4 years from the last day of the month after the month in which such sale was made, unless the Commissioner authorizes the destruction of such records at an earlier date, or unless an agreement under section 611 determining the amount of liability under this title with respect to such sale is approved by the Secretary or Under Secretary.

"(d) In case any other person acquires from or against a licensed manufacturer or registered dealer, by operation of law or as a result of any transaction not taxable under this title the right to sell any article, the sale of such article by such person shall be taxable as if made by such licensed manufacturer or registered dealer, and such person shall be liable for the tax.

"SEC. 216. Evasion of tax: (a) Diversion of articles sold for exportation—No article the sale of which has been exempted from tax under section 210 (a) (4) (relating to sales for exportation) shall thereafter be sold for use, or used, in the United States, unless the person so selling or using it pays the tax which would have been imposed on such sale if it had not been so exempted.

"(b) Tax on sales to or importations by licensed manufacturers or registered dealers: If the Commissioner finds that payment of tax under this title is being evaded or is likely to be evaded by a licensed manufacturer or registered dealer, or a class of licensed manufacturers or registered dealers, he may require that the tax shall be imposed on the sale to, or the importation by, such licensed manufacturer or registered dealer, or class of licensed manufacturers or registered dealers, of any class of articles (even though articles for further manufacture or for resale to licensed manufacturers or registered dealers as articles for further manufacture). Credit or refund of tax so imposed may be allowed on proof by a licensed manufacturer that such articles have been used as articles for further manufacture in the manufacture or production of articles on the sale of which tax has been paid, or by a registered dealer that such articles have been resold to licensed manufacturers or registered dealers as articles for further manufacture.

"(c) Sale of article purchased as article for further manufacture: If a licensed manufacturer sells an article purchased or imported free of tax by virtue of his license he shall be liable for tax under this title in the same manner as if such article were an article manufactured or produced by him.

"SEC. 217. Tax on manufacturer or producer not licensed: Any manufacturer or producer not licensed or required to be licensed under this title, who sells an article and adds to the price any amount as tax under this title on such sale, shall be liable for tax under this title equal to such amount; and any such person who sells an article at a price represented to include tax under this title on such sale shall be liable for tax under this title on such sale.

"SEC. 218. Contracts for sale entered into—regulated rate: If any person (1) is subject to governmental regulation with respect to the sale price of an article with respect to which a tax is imposed under this title, or (2) has, prior to March 1, 1932, made a contract for the sale, on or after the effective date of this title, of an article, with respect to the sale of which a tax is imposed by this title, or with respect to which a tax is imposed by this section, and such contract does not permit the adding, to the amount to be paid thereunder, of the whole of such tax, and does not provide that the vendor shall pay such tax, then the vendee shall, in lieu of the vendor, pay so much of the tax as is not so permitted to be added to the contract price, or the price subject to regulation, as the case may be. If such a contract was made with the United States, no tax shall be imposed under this title.

"(b) The taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated, and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section —. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner, who shall cause collection of such taxes to be made from the vendee.

"SEC. 219. Final agreements: The Commissioner (or any officer or employee of the Bureau of Internal Revenue, including the field service, authorized in writing by the Commissioner) is authorized to enter into an agreement in writing with any person relating to the liability of such person (or of the person for whom he acts) in respect of the tax imposed by this title (including the basis or method upon which such liability shall be determined or computed) for any period (past or future) specified in such agreement. If such agreement is approved by the Secretary or the Under Secretary, within such time as may be stated in such agreement, or later agreed to, such agreement shall be final and conclusive, and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, (1) the case shall not be reopened as to the matter agreed upon, or the agreement modified, by any officer, employee, or agent of the United States, and (2) in any suit, action, or proceeding, such agreement or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance therewith, shall not be annulled, modified, set aside, or disregarded; except that in its application to sales made after the date on which it is approved or agreed to, such agreement shall be held to be modified to the extent necessary to conform to any change in the law after such date.

"SEC. 220. Effect of changes in administrative decisions: No amendment or revocation of any regulation, ruling, or decision of the Commissioner or Secretary (or any official authorized in writing by either of them to make rulings or decisions which shall be subject to this section) in force at the time of the sale of an article, shall have the effect of increasing the liability under this title of any person with respect to such sale beyond his liability determined in accordance with such regulation, ruling, or decision in force at the time of such sale.

"SEC. 221. Applicability of administrative provisions: All provisions of law (except criminal penalties) applicable in respect of the taxes imposed by section 600 of the Revenue Act of 1926 shall, insofar as applicable and not inconsistent with this act, be applicable in respect of the tax imposed by this title.

"SEC. 222. Penalties: Any person willfully violating any provision of this title or any provision of law in respect of the tax imposed by this title, shall (in lieu of any other criminal penalty provided for therein) be fined an amount equal to one half the amount of tax evaded or not paid or collected and accounted for (or if such amount cannot be determined to the satisfaction of the court, or if no tax was evaded or not paid or collected and accounted for, then not more than $1,000), or imprisoned not

more than 6 months, or both, together with the costs of prosecution.

"SEC. 223. Exclusion of tax from gross income: If a licensed manufacturer or registered dealer includes in his gross income for income-tax purposes any portion of his gross receipts paid to the United States as tax under this title, he shall be allowed such amount as a deduction from gross income for income-tax purposes; but no deduction in respect of such tax shall be otherwise allowed under section 23 (c) or (d) of the Revenue Act of 1932 (income tax).

"SEC. 224. Regulations: The Commissioner, with the approval of the Secretary, shall prescribe and publish such regulations as he may deem necessary for the enforcement of this title insofar as it relates to taxes on sales. The Secretary shall prescribe and publish such regulations as he may deem necessary for the enforcement of this title insofar as it relates to taxes which are to be levied, assessed, collected, and paid in the same manner as duties imposed by the Tariff Act of 1930.

"SEC. 225. Definitions: When used in this title—

"(a) The term 'article' includes commodities of every description, including gases and electricity, and also including any commodity used for producing power, heat, or light; but does not include real property.

"(b) The term 'licensed manufacturer' means a manufacturer or producer licensed or required to be licensed under this title.

"(c) The term 'registered dealer' means a dealer or importer registered under this title.

"(d) The term 'manufacturer or producer' means any person (including a State, political subdivision thereof, or agency thereof) who manufactures or produces any article (but does not include the importer of an article), and includes a printer, publisher, lithographer, engraver, photographer, and producer of motion-picture films.

"(e) The term 'manufacture or produce' includes fabricate, cure, tan, dress, dye, bleach, blend, bottle, can, mix, spin, weave, refine, and process or manipulate in any manner, but does not include repair, nor the cleaning or ginning of cotton, nor the cleaning or threshing of grain, nor the preparation of beverages for consumption on the premises where prepared.

"(f) The term 'article for further manufacture' means only an article (1) which is to be used in, wrought into, attached to, or used as a covering or container for an article to be manufactured or produced for sale which will be subject to tax under this title, or (2) which is consumed in the process of manufacturing or producing such an article, but does not include plant equipment, machinery, or tools.

"(g) The term 'United States', when used in a geographical sense, includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

"(h) The terms, 'imported' and 'importation' mean, respectively, brought and bringing into the United States from any port or place outside thereof.

"(i) The terms 'exported' and 'exportation' mean, respectively, shipped and shipment to any port or place outside of the United States or laden and lading as bunker coal, other fuel supplies, ships' stores, sea stores, or legitimate equipment on vessels of war of any foreign nation, vessels employed in the fisheries or in the whaling business or actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States, or between the United States and any of its possessions.

"(j) The term 'agricultural products' means agricultural (other than forestry) products in the broadest sense, not processed (further than by cleaning and ginning or cleaning and threshing) by any person other than the original producer thereof, or an association of such producers, organized and operated on a cooperative basis.

"(k) The term 'farmer' means a producer of agricultural products.

"(l) The term 'exempt article' means an article the sale or importation of which is, under section 210 (d), exempt from tax.

"(m) The term 'regulations' means regulations prescribed under this title by the Commissioner and approved by the Secretary.

"SEC. 226. Personnel: The Secretary is authorized to appoint, in the office of the Assistant Secretary in Charge of Fiscal Offices, two officers at salaries of $7,500 per annum, and in the Bureau of Internal Revenue, one deputy commissioner at a salary of $5,000 per annum, and, subject to the Classification Act of 1923, as amended, such other officers and employees as are necessary to administer the provisions of this title.

"SEC. 227. Effective date—date of expiration: This title shall take effect on the 30th day after the date of its enactment, except that sections 214, 219, 224, 226, and this section, shall take effect on the date of the enactment of this act, and shall be in effect for a period of 2 years following such enactment, except that the provisions of section 208 shall apply to the taxes imposed under this title.

"SEC. 228. The taxes imposed by this title shall be in lieu of the taxes imposed by sections 602, 606, 607, 751, and 761 of the Revenue Act of 1932.

"SEC. 229. Short title: This title may be cited as the 'Manufacturers' Excise Tax Act of 1933."

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. McCORMACK. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 137, nays 265, answered "present" 1, not voting 27, as follows:

[Roll No. 49]

YEAS—137

Adair	Ditter	Kahn	Robertson
Andrew, Mass.	Dockweiler	Kelly, Ill.	Rogers, Mass.
Andrews, N.Y.	Dondero	Kennedy, N.Y.	Rogers, N.H.
Bacharach	Doutrich	Kenney	Sadowski
Bacon	Drewry	Kinzer	Sandlin
Bakewell	Eaton	Kleberg	Schaefer
Beam	Eltse, Calif.	Kopplemann	Sears
Beck	Englebright	Lamneck	Seger
Beedy	Evans	Lea, Calif.	Smith, Va.
Berlin	Faddis	Lehlbach	Stalker
Black	Focht	Lehr	Stokes
Bland	Foss	Lesinski	Strong, Pa.
Bolton	Foulkes	Luce	Sutphin
Britten	Gavagan	McCormack	Swick
Brown, Mich.	Gibson	McDuffie	Taber
Buchanan	Gillette	McGugin	Tinkham
Burch	Goodwin	McLean	Traeger
Burke, Calif.	Goss	McLeod	Treadway
Burnham	Granfield	McMillan	Turpin
Cady	Guyer	Maloney, Conn.	Utterback
Caldwell	Haines	Martin, Mass.	Wadsworth
Cavicchia	Hancock, N.Y.	Merritt	Waldron
Clarke, N.Y.	Harlan	Millard	Watson
Cochran, Pa.	Hart	Milligan	Weideman
Cole	Harter	Moran	Whitley
Collins, Calif.	Hartley	Muldowney	Wigglesworth
Cooper, Ohio	Healey	Musselwhite	Wilcox
Corning	Hess	Nesbit	Willford
Cox	Higgins	Parker, N.Y.	Wilson
Crowther	Hoeppel	Peterson	Wolcott
Culkin	Hollister	Powers	Wolfenden
Darden	Holmes	Ramspeck	Woodrum
Darrow	Hooper	Ransley	
Dear	Hope	Reece	
Dingell	Jacobsen	Rich	

NAYS—265

Adams	Cravens	Hill, Knute	May
Allgood	Crosby	Hill, Samuel B.	Mead
Almon	Cross	Hoidale	Meeks
Arens	Crosser	Howard	Miller
Arnold	Crowe	Huddleston	Mitchell
Auf der Heide	Crump	Hughes	Monaghan
Ayers, Mont.	Cullen	Imhoff	Montet
Ayres, Kans.	Cummings	James	Morehead
Bailey	Deen	Jeffers	Mott
Beiter	Delaney	Jenckes	Murdock
Biermann	DeRouen	Jenkins	O'Brien
Blanchard	Dickinson	Johnson, Minn.	O'Connell
Blanton	Dickstein	Johnson, Okla.	O'Connor
Bloom	Dies	Johnson, Tex.	O'Malley
Boehne	Dirksen	Johnson, W.Va.	Oliver, Ala.
Boileau	Disney	Jones	Oliver, N.Y.
Boland	Dobbins	Kee	Owen
Boylan	Doughton	Keller	Palmisano
Brennan	Douglass	Kelly, Pa.	Parker, Ga.
Brooks	Doxey	Kennedy, Md.	Parks
Brown, Ky.	Driver	Kloeb	Parsons
Browning	Duffey	Kniffin	Patman
Brumm	Duncan, Mo.	Knutson	Peavey
Brunner	Dunn	Kocialkowski	Pettengill
Buck	Durgan, Ind.	Kramer	Peyser
Bulwinkle	Eagle	Kurtz	Pierce
Burke, Nebr.	Edmonds	Kvale	Polk
Busby	Ellzey, Miss.	Lambertson	Prall
Byrns	Farley	Lambeth	Ragon
Cannon, Mo.	Fernandez	Lanham	Ramsay
Carden	Fiesinger	Lanzetta	Rankin
Carley	Fitzgibbons	Larrabee	Reilly
Carpenter, Kans.	Fitzpatrick	Lee, Mo.	Richards
Carpenter, Nebr.	Flannagan	Lemke	Richardson
Carter, Calif.	Fletcher	Lewis, Colo.	Robinson
Carter, Wyo.	Ford	Lewis, Md.	Rogers, Okla.
Cartwright	Frear	Lindsay	Romjue
Cary	Fuller	Lloyd	Rudd
Castellow	Fulmer	Lozier	Ruffin
Celler	Gambrill	Ludlow	Sabath
Chapman	Gasque	Lundeen	Sanders
Chase	Gilchrist	McCarthy	Schuetz
Chavez	Glover	McClintic	Schulte
Christianson	Goldsborough	McFadden	Scrugham
Church	Gray	McFarlane	Secrest
Claiborne	Green	McGrath	Shallenberger
Clark, N.C.	Greenwood	McKeown	Shannon
Cochran, Mo.	Gregory	McReynolds	Shoemaker
Coffin	Griffin	McSwain	Sinclair
Colden	Griswold	Major	Sirovich
Collins, Miss.	Hamilton	Maloney, La.	Sisson
Colmer	Hancock, N.C.	Mansfield	Smith, Wash.
Condon	Hastings	Mapes	Smith, W.Va.
Connery	Henney	Marshall	Snyder
Connolly	Hildebrandt	Martin, Colo.	Spence
Cooper, Tenn.	Hill, Ala.	Martin, Oreg.	Steagall

Strong, Tex.	Terrell	Vinson, Ky.	Whittington
Stubbs	Thom	Wallgren	Williams
Studley	Thomason, Tex.	Walter	Withrow
Sullivan	Thompson, Ill.	Warren	Wolverton
Sumners, Tex.	Thurston	Wearin	Wood, Ga.
Swank	Tobey	Weaver	Woodruff
Sweeney	Truax	Welch	Young
Tarver	Turner	Werner	Zioncheck
Taylor, Colo.	Umstead	West, Ohio	
Taylor, S.C.	Underwood	West, Tex.	
Taylor, Tenn.	Vinson, Ga.	White	

ANSWERED "PRESENT"—1

Allen

NOT VOTING—27

Abernethy	Fish	Montague	Reed, N.Y.
Bankhead	Gifford	Moynihan	Reid, Ill.
Buckbee	Gillespie	Norton	Simpson
Cannon, Wis.	Hornor	Perkins	Snell
De Priest	Kemp	Pou	Somers, N.Y.
Dowell	Kerr	Randolph	Wood, Mo.
Eicher	Marland	Rayburn	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Snell (for) with Mr. Bankhead (against).
Mr. Fish (for) with Mr. Reid of Illinois (against).
Mr. Simpson (for) with Mr. Pou (against).

Additional general pairs:

Mr. Abernethy with Mr. Dowell.
Mr. Kemp with Mr. Gifford.
Mr. Montague with Mr. Reed of New York.
Mr. Kerr with Mr. Buckbee.
Mr. Marland with Mr. Randolph.
Mr. Rayburn with Mr. Perkins.
Mrs. Norton with Mr. Moynihan.
Mr. Somers of New York with Mr. Hornor.
Mr. Cannon of Wisconsin with Mr. Wood of Missouri.
Mr. Gillespie with Mr. Eicher.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. RAGON. On that, Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 325, nays 76, answered "present" 1, not voting 28, as follows:

[Roll No. 50]

YEAS—325

Adair	Chapman	Eagle	Hoeppel
Adams	Chavez	Eicher	Hoidale
Allgood	Church	Englebright	Holmes
Almon	Claiborne	Evans	Howard
Andrews, N.Y.	Clark, N.C.	Faddis	Huddleston
Arens	Clarke, N.Y.	Farley	Hughes
Arnold	Cochran, Mo.	Fernandez	Imhoff
Auf der Heide	Coffin	Fiesinger	James
Ayres, Kans.	Colden	Fitzgibbons	Jeffers
Bacharach	Cole	Fitzpatrick	Jenckes
Beam	Collins, Calif.	Flannagan	Jenkins
Beedy	Colmer	Fletcher	Johnson, Minn.
Beiter	Condon	Focht	Johnson, Okla.
Berlin	Connery	Ford	Johnson, Tex.
Biermann	Cooper, Ohio	Foss	Johnson, W.Va.
Black	Cooper, Tenn.	Foulkes	Kahn
Blanchard	Cravens	Frear	Kee
Bland	Crosby	Fuller	Keller
Blanton	Cross	Fulmer	Kelly, Ill.
Bloom	Crosser	Gambrill	Kelly, Pa.
Boehne	Crowe	Gasque	Kennedy, Md.
Boileau	Crowther	Gavagan	Kennedy, N.Y.
Boland	Crump	Gibson	Kenney
Boylan	Culkin	Gilchrist	Kleberg
Brennan	Cullen	Glover	Kloeb
Britten	Cummings	Goldsborough	Kniffin
Brooks	Darden	Goss	Knutson
Brown, Ky.	Dear	Granfield	Kocialkowski
Brown, Mich.	Delaney	Gray	Kopplemann
Browning	DeRouen	Green	Kramer
Brunner	Dickinson	Greenwood	Lambeth
Buchanan	Dickstein	Gregory	Lamneck
Buck	Dies	Griffin	Lanzetta
Bulwinkle	Dingell	Haines	Larrabee
Burch	Dirksen	Hamilton	Lea, Calif.
Burke, Calif.	Dobbins	Hancock, N.C.	Lee, Mo.
Burke, Nebr.	Dockweiler	Harlan	Lehr
Burnham	Dondero	Hart	Lemke
Byrns	Doughton	Harter	Lesinski
Cady	Douglass	Hastings	Lewis, Colo.
Caldwell	Doutrich	Healey	Lewis, Md.
Cannon, Mo.	Doxey	Henney	Lindsay
Carden	Drewry	Hess	Lloyd
Carley	Driver	Higgins	Lozier
Carter, Calif.	Duffey	Hildebrandt	Lundeen
Carter, Wyo.	Duncan, Mo.	Hill, Ala.	McCarthy
Cary	Dunn	Hill, Knute	McClintic
Celler	Durgan, Ind.	Hill, Samuel B.	McCormack
McDuffie	O'Malley	Schaefer	Truax
McFarlane	Oliver, Ala.	Schuetz	Turner
McGrath	Oliver, N.Y.	Schulte	Turpin
McGugin	Owen	Scrugham	Umstead
McKeown	Palmisano	Sears	Underwood
McLeod	Parks	Secrest	Utterback
McMillan	Parsons	Shallenberger	Vinson, Ga.
McReynolds	Patman	Shoemaker	Vinson, Ky.
McSwain	Peavey	Sinclair	Wallgren
Major	Peterson	Sirovich	Walter
Maloney, Conn.	Pettengill	Sisson	Warren
Maloney, La.	Peyser	Smith, Va.	Weaver
Mansfield	Pierce	Smith, Wash.	Weideman
Marshall	Polk	Smith, W.Va.	Welch
Martin, Colo.	Prall	Snyder	Werner
Martin, Oreg.	Ragon	Somers, N.Y.	West, Ohio
May	Ramsay	Spence	West, Tex.
Mead	Ramspeck	Steagall	White
Meeks	Rankin	Stubbs	Whittington
Millard	Rayburn	Studley	Wilcox
Miller	Reece	Sullivan	Willford
Milligan	Reilly	Sumners, Tex.	Williams
Mitchell	Richards	Sutphin	Wilson
Montet	Richardson	Swank	Withrow
Moran	Robertson	Sweeney	Wolcott
Morehead	Robinson	Taylor, Colo.	Wolverton
Mott	Rogers, N.H.	Taylor, Tenn.	Wood, Ga.
Muldowney	Romjue	Thom	Woodruff
Murdock	Rudd	Thomason, Tex.	Woodrum
Musselwhite	Ruffin	Thompson, Ill.	Young
Nesbit	Sabath	Thurston	Zioncheck
O'Brien	Sadowski	Tobey	
O'Connell	Sanders	Traeger	
O'Connor	Sandlin	Treadway	

NAYS—76

Allen	Connolly	Kinzer	Rogers, Mass.
Andrew, Mass.	Cox	Kurtz	Rogers, Okla.
Ayers, Mont.	Darrow	Kvale	Seger
Bacon	Deen	Lambertson	Shannon
Bailey	Ditter	Lanham	Stalker
Bakewell	Eaton	Lehlbach	Stokes
Beck	Edmonds	Luce	Strong, Tex.
Bolton	Ellzey, Miss.	Ludlow	Swick
Brumm	Eltse, Calif.	McFadden	Taber
Busby	Gillette	McLean	Tarver
Carpenter, Kans.	Goodwin	Mapes	Taylor, S.C.
Carpenter, Nebr.	Guyer	Martin, Mass.	Terrell
Cartwright	Hancock, N.Y.	Merritt	Tinkham
Castellow	Hartley	Monaghan	Waldron
Cavicchia	Hollister	Parker, Ga.	Watson
Chase	Hooper	Parker, N.Y.	Wearin
Christianson	Hope	Powers	Whitley
Cochran, Pa.	Jacobsen	Ransley	Wigglesworth
Collins, Miss.	Jones	Rich	Wolfenden

ANSWERED "PRESENT"—1

Wadsworth

NOT VOTING—28

Abernethy	Dowell	Kerr	Randolph
Bankhead	Fish	Marland	Reed, N.Y.
Buckbee	Gifford	Montague	Reid, Ill.
Cannon, Wis.	Gillespie	Moynihan	Simpson
Corning	Griswold	Norton	Snell
De Priest	Hornor	Perkins	Strong, Pa.
Disney	Kemp	Pou	Wood, Mo.

So the bill was passed.

A motion to reconsider the vote by which the bill was passed was laid on the table.

The Clerk announced the following pairs:

Mr. Corning (for) with Mr. Wadsworth (against).
Mr. Bankhead (for) with Mr. Snell (against).
Mr. Randolph (for) with Mr. Griswold (against).
Mr. Pou (for) with Mr. Reid of Illinois (against).

Additional general pairs:

Mr. Disney with Mr. Dowell.
Mr. Montague with Mr. Simpson.
Mr. Fish with Mr. Perkins.
Mr. Kemp with Mr. Reed of New York.
Mr. Gillespie with Mr. Buckbee.
Mr. Hornor with Mr. Gifford.
Mr. Strong of Pennsylvania with Mr. Moynihan.

Mr. WADSWORTH. Mr. Speaker, being paired with the gentleman from New York, Mr. CORNING, I withdraw my vote and answer "present."

The result of the vote was announced as above recorded.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that the Clerk be authorized to correct the subsection letters to correspond with the amended bill.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

NATIONAL INDUSTRIAL RECOVERY BILL—EXTENSION OF REMARKS

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their remarks in the RECORD on this bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. TERRELL. Mr. Speaker and Members of the House, the title of this bill, "To encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works", sounds mighty well to those who are out of work and must have employment in order to feed themselves and their families, and it sounds well to all of us who have suffered and who are still suffering from this awful depression, which has depressed the minds and souls of men and has left in its wake failures, bankruptcies, bread lines, and suicides.

But high-sounding titles cannot stand up against cold-blooded facts and figures embodied in this act. The unemployment relief seems desirable, necessary, and almost imperative, but this could be accomplished without burdening the people with $3,300,000,000 more taxes and without destroying the antitrust laws enacted to prevent monopoly and to protect the weak against the strong, and without striking down our constitutional safeguards which have protected our people through a century and a half of progress and development, and built up the greatest and richest country in the world through individual effort and initiative, without dictation from the Government and without a dictator to control every effort and activity of the people from the cradle to the grave.

There is such a crying need for unemployment relief and such an imperative demand from all sources for assistance from the Government, that we are all in sympathy with these demands and the necessity of doing everything in our power to relieve the distress. The situation is so serious that we are scarcely able to think straight and to work out a safe and sensible plan to take care of the situation.

I would like to be able to follow the leaders of this House on this measure, and to follow the great humanitarian in the White House, but my knowledge of the principles upon which this Government is founded, and the results to follow from the flagrant violation of our organic law and the striking down the inalienable rights of the people to follow their chosen pursuits, secure in their independence and initiative to work out their own salvation without dictation from king, prince, or potentate, impels me to vote against this measure.

I cannot get my consent to confer upon the Federal Government the authority to go into the States and control wages and the hours of labor, the amount of products produced and every detail of private industry, including all rules and regulations under which every article of commerce is produced and priced. This is wrong in principle, even if it were authorized by the Constitution, and I do not think there is a Member of the House who will seriously contend that the Constitution authorizes such a law.

Congress enacted a law some years ago regulating child labor in the factories of the various States, and Senator Joseph Weldon Bailey, of Texas, father of Mr. BAILEY, now in the House, opposed the measure and stated that it was unconstitutional, and the Supreme Court promptly declared it unconstitutional. Persisting in its right to control labor in the States, Congress submitted an amendment to the States in 1924, authorizing the Congress to regulate child labor in the different States. This amendment has been pending for 9 years and has been ratified by 9 States. At this rate of ratification it will take 27 years longer to become a part of the Constitution. This Congress cannot afford to wait that long, so it is going ahead to regulate wages, hours of labor, and everything else connected with the business of this country, whether it is constitutional or not, under the cry of "emergency, general welfare, and imperative public necessity."

This bill proposes to issue interest-bearing, tax-exempt bonds to the amount of $3,300,000,000, and to levy additional taxes upon the people to the amount of $220,000,000 annually to pay the interest on these bonds in order to put on a program of public works to relieve unemployment—and we all want to relieve unemployment, and start this country on the road to prosperity. This bill proposes to increase the gasoline tax from 1 cent per gallon to 1¾ cents per gallon. It proposes to raise the income tax on all incomes of $4,000 or less, from 4 to 6 percent, and on incomes up to $10,000 from 8 to 10 percent, an increase of 50 percent upon small incomes, thus placing the burden of taxation on those of small incomes, who are the backbone of business, industry, and agriculture and the mudsills of this Government, while the increase on higher incomes is insignificant.

The gasoline taxes are almost doubled. The States are now using this tax as almost the sole revenue to build and maintain public highways, which are an absolute necessity in this day of rapid transportation and communication for business purposes, and this tax levied by the States is as high as 8 cents per gallon in some States, which makes it almost prohibitive and lessens transportation. I submit that this field of taxation should be left entirely to the States, and I would repeal all Federal taxes on gasoline, if I could.

These additional taxes should not be levied upon the people at this time. No more interest-bearing, tax-exempt bonds should be issued by the Government. The present Congress has provided through the farm-mortgage bill, the home-mortgage bill, Muscle Shoals, and emergency relief measures about $5,000,000,000 in bonds and the pending bill with $3,300,000,000 bond issue, will make our total bonded indebtedness approximately $28,000,000,000, almost as great as the peak of the indebtedness at the close of the World War, including the many billions loaned to foreign governments.

No government can borrow itself out of debt or create and maintain prosperity with a $28,000,000,000 debt hanging over it and an annual interest payment of approximately $1,120,000,000. It is too great a tax upon the annual productivity of the country. No country can carry such a load and remain prosperous.

This Congress has authorized the President to expand the currency by the free coinage of silver at a ratio to be fixed by himself, or by reducing the gold content of the dollar, not exceeding 50 percent, or by the issuance of currency to an amount of $3,000,000,000. He is authorized to use any or all of these methods to expand the currency and raise the commodity prices to a proper parity with the value of the dollar.

He has not exercised any of these powers, but commodity prices and stock-market prices have advanced in anticipation of the expansion of the currency, and when this anticipation becomes a reality, you will see prices of farm and factory products and wages advance to a point where agriculture, industry, governments, and people can survive.

Now, I propose to show how this employment and public-works plan can be financed and immediately relieve the unemployment situation without issuing interest-bearing bonds.

The President should exercise the authority already conferred upon him to issue $3,000,000,000 in Treasury notes or currency, exactly like the currency issued upon Government bonds deposited in the Treasury by the banks.

This money should bear no interest, but should be good for all debts, public and private. The courts have held that the debts can be paid in currency, as there is not enough gold to pay them.

It would be good money for the transaction of all current business and the payment of wages, and issued as needed to pay for public works, as now contemplated by this bill. It should be redeemable in lawful money at the option of the Government, 1 year after date. There would probably not be more than $1,000,000,000 issued and used in any one year, and redemption might never be necessary, and it would tend to raise wages and commodity prices gradually, and they must be raised to a higher level before general prosperity can be restored.

With a gradual improvement in all business lines, normal tax collections would be restored, and if prices and wages tended to increase too rapidly the Government could begin to redeem this money and withdraw it from circulation and there would be no need for issuing more money or continu-

ing a big public-works program when business assumes normal proportions.

Understand that I would not redeem any of this money until farm prices and wages reach the average level between the years 1918 and 1928, a period when times were fairly good and people could pay debts and taxes with the products of the farm. Now, some of you call this fiat money, or printing-press money. All Government money is fiat, for without the stamp of the Government it cannot be used as a measure of value or a medium of exchange. I want to show you that this money issued in proper quantities is just as good and sound as the money issued on bonds. The silver in a dollar is worth in bullion value only about 30 cents, but it passes currently for 100 cents because it has the fiat of the Government on it.

This money would be backed by all the resources and taxing power of the Government just as the bonds are backed by the strength and resources of the Government, and there can be no difference in the value of this money and the value of the bonds, and both could be issued in such vast quantities as to impair their value, but nobody is proposing to issue money in such quantities as to impair its value or impair the credit of the Government.

It was asked some days ago in this House:

> If the Government can issue money, why could it not issue enough to pay all expenses of the Government and not tax the people?

That question was propounded by an able Member of this House, and he well knows that the Government could not issue enough currency to continue the payment of expenses of the Government for any considerable length of time without impairing the value and purchasing power of the dollar, and he knows, also, that the Government cannot continue to issue bonds in unlimited amounts without lowering the value of the bonds and impairing the credit of the Government. The Government bonds did fall below par during the war and immediately thereafter, and those of us who were not able to hold our bonds long enough to get face value were compelled to sell and take our losses.

There is a twofold reason for issuing Government currency to start these public works. First, it saves millions of dollars in interest; and, second, it puts the money immediately and directly into circulation without passing through banks with a "rake off", as is done when it is issued on Government bonds and cannot get into circulation until somebody borrows it and starts an industry of his own and pays it out for labor and the products of labor. This is a questionable and circuitous route, and we do not have time to wait for this process of evolution.

Nobody is advocating the issuance of currency in unlimited amounts and without control or redemption, and those who howl from the housetops about fiat money and printing-press money are not fooling the people but are playing into the hands of criminal corporations and financial highjackers, who have imposed burdens upon the people, robbed the Government of just taxes, destroyed confidence, brought honorable banking into disrepute, and wrecked our financial structure, and they should be scourged from the banking profession as Christ scourged the money changers and thieves from the temple.

Reverting to the regulation and control of industry, this is a double-barrel bill, containing at least two separate and distinct propositions—one controlling wages and the hours of labor in industry, including prices and the output of the products of the factories; the other a public-works program for unemployment relief, which appeals to everyone with humanitarian impulses, and which is necessary to prevent a further lengthening of the bread lines and a further continuation of public charity until business is sufficiently revived to absorb idle labor and start the country on the road to recovery. Those of us who are in sympathy with suffering humanity, and who are willing and anxious to do everything in our power that can be legally done to relieve the distress of the people, are greatly disappointed that these measures are combined in one bill to force us to swallow the unpleasant dose of surrendering the rights of the States to manage their own internal affairs and the rights of the citizens to manage their own private business without Government control or dictation in order to provide means of relieving unemployment and preventing actual suffering.

We are further disappointed that a rule has been adopted to prevent the offering of amendments to the bill unless they are offered by the committee. This prevents a Member from exercising his constitutional authority to assist in framing and passing desirable legislation. It is a dangerous policy and reverses the Democratic practice for a hundred years.

I am profoundly impressed with the present trend of events and greatly alarmed for the future at the present tendency to abandon the principles upon which our party was founded and to strike down all constitutional safeguards and launch the ship of state on an uncharted sea in a storm of passion and reckless action.

Times change and men change with them, but sound principles endure forever. We cannot at one fell stroke radically and recklessly change the whole plan and system of government which has made this the greatest and strongest Government in the world, without grave danger of destroying constitutional government and substituting in its stead a communistic government, with a sympathetic and humanitarian dictator in command, who may be substituted at any time with a Mussolini, a Hitler, or a Stalin, who might use these tremendous powers conferred by this bill in a manner not contemplated by its supporters, and to the great detriment and irreparable harm of the public.

Revolutions never go backward, and when we once abandon the principles upon which this Government was founded and guided to its present state of leader of the world, in education, finance, and civilization, there is no turning back but a constant command to go forward and grant more power to the Government to control every activity of the people; and initiative and individual effort, the pillars of the Government, will be weakened and finally destroyed and the Republic will be no more.

I invite your attention to a few paragraphs of the famous 15-minute inaugural address of the founder of the Democratic Party, Thomas Jefferson:

> Peace, commerce, and honest friendship with all nations—entangling alliances with none.
>
> The support of the State governments in all their rights as the most competent administrations for our domestic concerns and the surest bulwarks against antirepublican tendencies.
>
> A wise and frugal government which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvements, and shall not take from the mouth of labor the bread it has earned.
>
> Agriculture, manufacture, commerce, and navigation, the four pillars of our prosperity, are most thriving when left most free to individual enterprise.

These maxims are very timely, and it seems that the great, constructive statesman was endowed with the gift of prophecy and could see through the mist of time and penned these immortal lines for this particular occasion.

Mr. TRUAX. Mr. Speaker, Members of the House, my vote will be cast for this bill because it is the President's measure, because it will employ several million men, it will start the wheels of industry turning, and finally it gives no choice of an alternative—it must be this bill or none at all; hence this bill is supported with some mental reservations. It is to be preferred a thousand times over a general sales tax.

In the first place, the gag rule that has been forced upon the Members of this House for the purpose of passing this bill without the dotting of an "i" or crossing the "t" is the most obnoxious of all gag rules that have been jammed down our throats. As in similar administration legislation, the flag has been waved and the party whip cracked with the old platitude "this is the President's bill, and unless you follow the President blindly you are unpatriotic, un-American, and only a pseudo-Democrat." This in the face of the fact that President Roosevelt, in his own humbleness and with his great breadth of mind, smilingly admits that he is not right all the time, that he does not expect "to make a hit every time he goes to bat." Moreover, I am one who

declines to believe that the section of this bill authorizing additional taxation of the little fellow and allowing the ultra-rich to go practically scotfree, is any part of the President's program.

More than 300 Democrats sit on the floor of the House today. What reason is there to distrust these 300 Democrats? Particularly distrustful of the 115 new Democrats some appear to be. Why do they not trust these new Democrats? Is it because they are conservative; is it because they are reactionary? No. These cannot be the reasons, since the new Democrats were elected on a progressive, so-called "radical" platform, guaranteeing the people a new deal. These new Democrats may not have been here as long as some, but, on the other hand, their mentality is just as keen and sharp, and their hearts beat just as fully for the common people as any. Can it be that there is a fear of the liberal thoughts and liberal tendencies and the liberal desires to legislate for the good of all the people? Certainly not.

Offering my apologies for inserting personal allusions in this RECORD, I am constrained to state that 1,206,000 voters in the State of Ohio saw fit to send me here as their Representative at large. Not as a piece of driftwood did I float in on the flood tide of votes for the greatest man who ever sat in the Presidential chair, Franklin D. Roosevelt. In my humble judgment, these people voted for me because they believed in the principles which I enunciated, and they had confidence that I would fulfill the pledges made. Those pledges were:

First. Moratorium against foreclosure of real-estate mortgages.

Second. A $2,000,000,000 refinancing corporation for farmers.

Third. A $2,000,000,000 refinancing corporation for home owners.

Fourth. Enactment of the Frazier bill or some similar measure for the further refinancing of farms at 3 percent interest and amortization charges.

Fifth. Expansion of the national currency.

Sixth. Payment of the soldiers' bonus with new currency.

Seventh. No reduction in compensations or pensions for disabled war veterans.

Eighth. Remonetization of silver.

Ninth. Decentralization of wealth.

Tenth. Repeal of eighteenth amendment and modification of Volstead law.

Eleventh. Repeal of nuisance taxes.

Twelfth. Impose heavier income taxation in the higher brackets, heavier inheritance, gift, and estate taxes.

Thirteenth. Strengthen Sherman antitrust law.

Fourteenth. Bank-reform legislation.

Taking inventory at this time, I find that pledges nos. 2, 3, 5, 10, 14 have been fulfilled, thanks to the President having initated and Congress having enacted legislation covering these pledges. Unfortunately for thousands of farm and home owners, no action has been taken on no. 1, even though I have introduced three bills that provide for effectual and immediate suspension of all real-estate foreclosures in the United States because of delinquency in payment of interest, principal, or taxes.

A petition to relieve the committee of further consideration of the Frazier bill and bring it to the floor of the House for consideration initiated by Mr. LEMKE, has been signed by me.

When the independent offices appropriation bill was debated under the 5-minute rule on the floor of the House, I offered an amendment which, if adopted, would have meant payment of the soldiers' bonus within 1 year. I also signed the petition on the Speaker's desk to pay the bonus now with new currency.

I voted "no" on the so-called "Economy Act", which takes $375,000,000 away from disabled war veterans.

I am ready to support meritorious legislation for the remonetization of silver.

I shall introduce at an early date a bill to levy a capital tax upon all swollen fortunes.

The bill now under consideration, H.R. 5755, unfortunately does not repeal nuisance taxes, it reenacts them with an additional levy of three fourths of a cent on each gallon of gasoline.

To support this bill I must seemingly reverse my position on certain pledges, which are heretofore enumerated. However, I want to assure my many constituents that such a change of position does not necessarily mean that I am turning about-face on these campaign pledges. In fact, the reverse is quite the contrary. I will take them in their numerical order and find that only nos. 11, 12, and 13 are affected. Since we are voting for this bill under a gag rule which prohibits all amendments except those offered by the committee, it is an utter impossibility to repeal present nuisance taxes, as outlined in no. 11.

I would point out, however, that these taxes were not, nor are they now, a part of the Democratic platform or program. These taxes were enacted under a Republican administration. They are perhaps the least objectionable of all of this form of taxation, since in 95 percent of the cases the tax is paid to the Government by the manufacturer, processor, or producer and are not handed on to the consumer. As practical examples of this I would cite the tax on tires, rubber goods, toilet articles, jewelry, furs, automobiles, radios, electric refrigerators, sporting goods, candy, and soft drinks. Practically only one instance can be pointed out in this list where the tax is passed on directly to the consumer—automobiles. We are today purchasing all the rest of the majority of those commodities listed at lower prices than ever before in history, while the retail price of chewing gum and soft drinks remains the same as before the tax was levied.

We are correcting in this bill the atrocity that was perpetrated on consumers by the last Congress in the imposition of the iniquitous 3-percent levy on consumers' electrical energy. When we vote for this bill, we place this tax on the shoulders of those who should justly bear it—the Power Trust.

Some contend that the gasoline tax should not be made a part of the Federal Government's taxation program, that this is wholly a prerogative and function of the various States. I cannot agree with the proponents of such a course. The Federal Government is spending annually millions of dollars for the building of highways and in this very bill we are appropriating $400,000,000 for the financing of highways and kindred projects in the various States. Again, gasoline taxes in the past seem to have been absorbed almost entirely by the industry. In the State of Ohio we now pay 4 cents State tax and 1 cent a gallon Federal tax, yet the consumer is buying gasoline cheaper than at any time since the war. In my judgment, the three-fourth cent additional levy will be absorbed by the oil industry. Retail prices of gasoline will not mount and if so only very temporarily. Every owner of an automobile can see the tangible results of this tax in new and better roads, safer roads, wider roads, and in the widening and straightening out of narrow bridges, dangerous curves, and corners.

The acme of perfection in auto-vehicular transportation will not be reached, however, until the rubber-tired freight trains are taken off the public highways and either placed back on steel rails or compelled to build roadways of their own. It is not only the danger and destruction to roads that is costly, but the human danger to life and limb is far costlier. The increase provided in this bill on smaller incomes I am unalterably opposed to, particularly in view of the fact that the increase of incomes in the higher brackets is only slight, ranging from 3 percent to 5 percent. Were it within my power to legislate single-handed, I would make it so that on all incomes in excess of $100,000 per year, that 75 percent of that excess should go back to the Government which made it possible, eventually meaning a redistribution to the distressed from whence it came originally—from the toil, and sweat, and blood of the common people. In the case of the modern Captain Kidds and Sir Francis Drakes who boldly roam the high seas of international finance and

banking, capturing small bankers, ruining investors and other worthy people, and then brazenly defying the Government by not paying income taxes at all, such as is now exhibited by the degrading spectacle of J. P. Morgan & Co. in the investigation in the United States Senate. I would not permit these plutocrats to escape scotfree as is now being done. I would make a graduated capital-tax levy and a graduated gross-income tax which would catch all of the multimillionaire crowd and force them to pay their just share of the cost of government.

The many technical provisions in our present income tax laws are bad. They favor the rich at the expense of the poor. That is no reason, however, why immediate steps should not be taken to block up the holes, to stop the leaks. If this were done, there would be little need for taxation such as we are imposing in this bill. We are taking such action in this bill.

There is outstanding today as obligations of the Government $13,000,000,000 and more of tax-exempt bonds. I would place a tax upon the incomes derived from these bonds. I would recall the war bonds and retire them with an issue of new currency and save the Federal Government $700,000,000 interest charges per year to the international bankers who pay no income taxes themselves.

There is, however, one outstanding good tax feature in this bill; that is the provision that subjects dividends to the normal rates of tax, which will bring into the Federal Treasury an estimated yearly income of $83,000,000.

When we vote for this bill we are voting for a reduction of our salaries, since the provisions of this bill practically double the income tax that Members of Congress pay. This should dispel effectively the propaganda disseminated by the plutocratic press that Members of Congress invariably vote against reductions in their own salaries. Personally, I am willing to make the sacrifice in the hope and belief that it will give jobs to thousands and thousands of our people who are now depending upon charity for the support of themselves and their families.

Another good feature of this bill is the statement of the President that when, and if, the eighteenth amendment is repealed, thereby providing sources of revenue running into many millions, forthwith these taxes which we are now enacting will also be repealed. The legalization of beer is a success, people are now buying beer legitimately and openly and for it the Federal Government is deriving needed revenue that formerly found its way into the slimy coffers of the highjackers, bootleggers, and rumrunners.

Now we come to no. 13. Upon first thought this bill seems to cast aside the Sherman antitrust law. I would point out to you, gentlemen, however, that this law has been practically nullified for the past 12 years. Never in the history of this or any other country have the trusts become so arrogant, have mergers been so prevalent, and monopoly so firmly entrenched as during the past 12 years. As evidence, I present the chain systems. Chain grocery stores, chain drug stores, chain hardware stores, chain clothing stores, chain dry-goods stores, chain gasoline and oil stations, and many others too numerous to mention. These hydraheaded monsters of monopoly pounce upon village, town, and city and rent the choice business locations. Independent merchants cannot compete with the chains because they do a credit business and have not the volume of buying or selling power. The chain outfits, however, located in New York and Chicago do a cash-and-carry business. Their volume of business is huge, they take all of the available cash out of each community once a week and deposit it in the vaults of Wall Street to further concentrate and centralize the swollen fortunes of the idle rich.

Monopolistic control and domination cannot get much worse than it is today. You cannot throw a man out of bed when he is already lying on the floor. So after a careful study and analysis of this section of the bill, my firm belief is that this measure in the hands of that great world's leader, a man of, by, and for all the people, Franklin D. Roosevelt, will be materially strengthened. Moreover, I think I can see an opportunity for the Government which now is a Government of the people, by, and for the people, to eventually own or control the big monopolies that today are festering sores in the tribute they levy upon the people. I refer to the railroads, the power trusts, the gasoline trusts, and other public-utility corporations. They, like vampire bats, suck the very lifeblood from the people's veins.

The American Federation of Labor supports this bill and many other labor organizations support it. The majority of clear-thinking people back home support it. I can see no good reason why I should not support it. This bill perhaps is the most important piece of legislation of the President's rehabilitation program. Upon him depends the success of this and all similar measures. The people believe in the President. He has not only won their admiration and their hearts, but their confidence as well. In him they trust, to them he appears as a Moses who will lead the country from darkness to light. This is his bill. I support it in the conviction that he will administer it honestly, fairly, and equitable.

Before concluding, a word about the man who I understand is to be appointed administrator of this far-reaching bill at this time is not amiss. I have known the gentleman, Gen. Hugh S. Johnson, since 1923. I met him at the national wheat convention held in Chicago in 1923. At that time the farmers of the Northwest were asking the President and Congress to fix the price of wheat at $1.75 per bushel. It was then that the agricultural debacle began. Gen. Hugh Johnson, with his bosom friend, the Honorable G. N. Peek, who is now administrator of the farm relief bill, were there fighting for the cause of the farmer.

These two gentlemen began their fight in 1921, and now their pioneer effort and trail-blazing have been successful after a 14-year-old fight and struggle. General Johnson, as so many of our illustrious men, is a product of the soil, having been born in Illinois and later moving with his parents to Oklahoma. He was the first cadet to be sent to West Point from that State. Upon graduation he was assigned to the Cavalry Service, and saw service on the border with General Pershing. When that great catastrophe and earthquake occurred in San Francisco, General Johnson was the gentleman assigned to take care of the relief and reconstruction work. He was a hero in the World War, and having been made a brigadier general at 42, later was assigned to the War Industrial Board as the representative from the Army.

On that Board he sat with his bosom friend and coworker, Hon. George N. Peek, who was in charge of the finished industrial products with the exception of war ammunitions. He has a brilliant intellect with remarkable executive ability and has always been known among his associates as an unusually efficient executive. Although an industrialist in 1921 engaged with Mr. Peek in manufacturing farming implements, General Johnson was one of the first in this country to see that the agricultural pauperism which started in that year was a cancerous growth in the Nation's economic progress, and that eventually that cancer would pull the whole Nation down with it.

Mr. WHITE. Mr. Speaker, we are here today enacting a measure that is just another expedient to bolster the deficiency caused by the failure of this Government to perform one of its functions to give this country a sound workable money system adequate to the needs of business and to insure the free play of the law of supply and demand by protecting new enterprise, new business organizations, and small competitors engaged in the service of supplying the needs of our people at competitive prices.

By the new and novel plan to be put in operation by this measure, this Government disregarding economic law is to sanction the price-fixing methods of the several groups of men and business organizations that have more responsibility than any other factor for the pitiful condition that the people of this country find themselves in today.

Mr. Speaker, the progress and development made in this country up to now can be traced and credited to the adherence to the policy of fair dealing, to the policy of permitting

the free play of the law of supply and demand, safeguarded by regulations that insured fair competition and prohibited unfair trade practices designed to restrict trade.

Mr. Speaker, is there a man in this House who will say that our Government has been diligent in preventing price fixing and restraint of trade by unfair competition and unfair trade practices during preceding administrations? Why, Mr. Speaker, we are in a period when the stifling of new enterprise by the ruination and the destruction of small competitors has set at defiance economic laws that govern supply and demand.

The administrators of the Government have stood idly by and permitted the resources of the producers of this country to be drained to the point of exhaustion by the organized profiteering manufacturing interests of this country, and as a result the great majority of our people engaged in the basic industries, such as agriculture, lumbering, and mining, are in a state of financial ruin. These industries, the source of the natural wealth of this country, the foundation of our business structure, and the source of all material prosperity, unable longer to carry the load laid upon it by these profiteering monopolies, lie prostrate; and the monopolies themselves are involved in the ruin they have brought about.

My friends, to illustrate what has transpired in this country let me outline the conditions that have obtained in the business world in recent years. Gradually the prices of the controlled manufactured articles, necessities used in our basic industries, agriculture, lumbering, and mining and kindred producing industries have been raised and fixed at profiteering levels maintained by the ruthless destruction of competitors by any and every artifice that could be devised to crush and drive out of business new or small competitors, in many cases organizations comprised of enterprising young men who invested their money and gave their time and talent to supply the needs of these industries at a fair profit.

My friends, in passing across this country the abandoned small factory or plant, relics of these ruined business organizations, can be found in most every community, mute witnesses to the rapacious methods of monopolistic profiteering business organizations of this country. We are told that this policy of rule or ruin is the result of the operation of the old law of the survival of the fittest. Mr. Speaker, let me ask the Members of this House, Has their Government permitted the "survival of the fittest"?

What has been the result of permitting the draining of the financial resources of the millions engaged in our basic industries? What has been the result of piling up huge money surpluses by these profiteering business organizations?

My friends, the record of these operations and machinations comprises the blackets pages in our Nation's business history. Many of these profiteering organizations, with annual incomes almost as great as their total capitalization wrung from the producers of this country in order to palliate their injustices, were forced to the expediency of stock split-ups to spread the disbursement of their swollen profits resulting in stock market quotations which enticed the public into a frenzy of speculation and drove security prices to abnormal and unsafe levels. The banking interests of this country, realizing the danger menacing our business and financial structure, sought to check the speculative frenzy by the shifting of the supply of money being loaned to speculators by raising the discount rates. But the closing of this source of money supply proved ineffectual, and money continued to flow into the speculative market to the consternation of bankers and financiers, and the wild orgy of speculation continued out of bounds and out of reason.

Mystified financial writers called it "bootleg money", but at last the phenomenon was solved. It was money flowing from the huge surpluses of profiteering industrial organizations; money wrung from the producers of the country; money that should have remained in the hands of the people that produce the wealth of this country; money that would have been a bulwark of safety in times of business stagnation and credit contraction, now in the hands that despoiled the producer and wrecked the banking and business structure of this country.

My friends, we are on unsafe ground. We have been led into an unsafe banking and business system in this country. Other leaders have sounded a call to retreat, but let me warn you that safety does not lie in the direction we are attempting to follow in enacting this law. There is no safety in following a course that opposes the operation of economic law. We must strike from business the shackles forged by the ruinous monopolies. We cannot follow them into this maze of price control; to do so will bring disaster to our business, to our country, and to our people.

My friends, this speech is not a speech, but merely the printed extension of remarks made necessary by the denial of the right to address the House through a rule denying a representative of some hundred thousand people of the great State of Idaho the right to be heard on one of the most vital pieces of legislation that Congress has had under consideration.

Mr. Speaker, let me assure the men in control of the organization of this House that the people of this Nation are aroused and vigilant; that the issue of taxation without representation was settled on July 4, 1776, and our people declared anew their adherence to this principle of government on November 8, 1932.

Mr. GRIFFIN. Mr. Speaker, the provisions of this bill which pertain to the problems of industrial recovery are ingenious and I believe in every way admirable and workable. The creation of a Federal emergency administration of public works inaugurates a program which I should like to see elaborated and perfected into a permanent agency of our Government under a Cabinet officer to be known as "the Secretary of Public Works."

THE TAXATION FEATURE BAD

The part of the bill which presents the greatest difficulty is the program for raising the money. The bias brought about by long years of tinkering with our taxation laws or by ignorance of its fundamental principles seems to be insuperable, unconquerable, and unchangeable.

Notwithstanding our experience, as the result of raising the tax rates in the Revenue Act of 1932, we are asked to continue the nuisance taxes and the exorbitant tax rates which have so completely failed in raising the revenue anticipated.

FAILURE OF 1932 TAX INCREASES

Please consider these figures, which even those who run may read:

Income-tax receipts before and after

Receipts of fiscal year up to May 22, 1932	$889,494,988
Receipts of fiscal year up to May 22, 1933	595,805,396
Shortage	293,689,592

Representing the failure of the act of 1932 to bring results.

With this example before us, we are asked to deliberately embark on a program planned to further increase the burdens on the income-tax payers, utterly oblivious, apparently, of the inevitable and invariable law of "diminishing returns."

NEW RATES ON SMALLER INCOMES ABSURD

Increasing the income tax 50 percent on incomes under $4,000 per annum from 4 percent to 6 percent is absurd. The Treasury returns show that such incomes in 1930 yielded only $6,962,164, as against $465,445,657 from incomes over $4,000 per annum. But inequitable as it is, the increase will prove futile; for under the deductions and exemptions, which still remain in the law, few will pay any tax whatever and there can be no possible material increase in the yield.

THE NUISANCE TAXES CONTINUED

The increase of three fourths of a cent on gasoline is equally unwarranted. Added to the present tax of 1 cent a gallon, it is tantamount to a sales tax of 1¾ cents, which, estimating the sales price at 10 cents a gallon, is tantamount to a sales tax of 17½ percent plumped right on the backs of the consumers.

Three-cent postage means an increase of 50 percent. The taxes on telegrams and amusements are equivalent to a 10-percent tax on customers, yet the committee balked at a sales tax! What else are all these nuisance taxes if not sales taxes?

OUR TAX SYSTEM INVITES EVASIONS

While instituting these ruinous rates not a move has been made to simplify the income tax law and wipe out the complicated brackets and deductions which have made our entire income-tax system an ignominious failure.

Our income-tax system seems to me to have been deliberately planned to invite evasions and enable wealthy corporations and individuals to escape their just share of the tax burdens of their country.

There is much agitation at this moment over the revelations before the Senate committee which disclose the utterly unexpected denouement that one of the wealthiest men in the world paid not a single cent of income tax for the years 1931 and 1932.

Well, we can spare ourselves the torture of worrying about it when we recognize the fact that "it was all according to law" and that we ourselves are responsible for the foolish and iniquitous provisions which permit such outrageous evasions. We must remember, too, that the gentleman we all have in mind was not alone in the role of a "tax-free favorite" of a stupid law.

1,429,877 TAX-FREE INDIVIDUALS

Yes, there were 1,429,877 individuals whose returns in 1931 showed no net income and thus escaped taxation. Yet their gross income was disclosed by their filed statements to have amounted to $21,665,505,860. Think of it! Is this not a stupendous amount to be thus permitted to escape taxation? Yet, that is nothing to the evasions permitted to corporations.

231,287 TAX-FREE CORPORATIONS

Please look at these figures given me by Commissioner David Burnet in a letter dated May 25, 1932.

TABLE A.—*Corporation income-tax returns for 1930 filed to Aug. 31, 1931*

	Total	Corporations reporting net income	Corporations reporting no net income
Number of returns	445,699	214,412	231,287
Gross sales	$102,300,000,000	$66,500,000,000	$35,800,000,000
Miscellaneous income	17,950,000,000	12,650,000,000	5,300,000,000
Aggregate of gross sales and miscellaneous income	120,250,000,000	79,150,000,000	41,100,000,000
Cost of goods sold	78,200,000,000	48,900,000,000	29,300,000,000
Miscellaneous deductions	40,623,000,000	24,623,000,000	16,000,000,000
Aggregate of cost of goods sold and miscellaneous deductions	118,823,000,000	73,523,000,000	45,300,000,000
Net income	5,627,000,000	5,627,000,000	
Deficit	4,200,000,000		4,200,000,000
Income tax	618,000,000	618,000,000	

NOTE.—Less than half of corporations filing returns showed net incomes and paid taxes. Also, that 231,287 corporations reporting no net incomes showed gross incomes aggregating $41,100,000. Cost of goods sold and "miscellaneous deductions" are the loopholes through which corporations as well as individuals escape taxation.

THE DUTY OF CONGRESS

It is incumbent upon Congress to devise some method by which the loopholes for these evasions shall be effectually and permanently closed. Yet, strange to say, Congress has given no thought to the matter up to the present moment. Instead of experimenting with futile higher tax rates and imposing nuisance taxes on the consumer, the first thing that ought to be done is to wipe out from our income tax laws the complicated brackets and absurd deduction allowances.

DEDUCTIONS FOR LOSSES IN STOCK SPECULATION

One of the most unwarranted of these deductions is that for losses in stock speculation, because, first of all, it is against public policy and encourages gambling—a vice which, when it reaches food and the necessaries of life, actually becomes a crime.

REMEDIES SUGGESTED

To get at the evasions by which tax returns are made showing no net incomes, various plans are in process of trial.

TAX ON GROSS INCOMES

Mississippi has put into operation a tax of 2 percent on gross incomes. It includes the incomes of professional men—lawyers, doctors, dentists, and so forth, and every trade or calling. No one escapes. All are called upon to bear their share without exception or qualification, starting with incomes of $1,500, if married, and $750 if single. The law was an instantaneous success. In the short time it has been in operation it has wiped out the State's deficit. I ask my colleagues to consult with the Representatives in Congress from Mississippi as to the success of this innovation. Collier's Magazine for November 19, 1932, gives a very interesting account of this mode of taxation, written by Walter Davenport.

OTHER STATES FOLLOWING

On May 1 of this year the "gross income tax law" passed by the Indiana State Legislature goes into effect. The only exemption is that the first $1,000 of income is not taxed.

THE NEW YORK METHOD

In New York the attack on fraudulent evasions is made in another way. By chapter 228 of the laws of 1933 the State legislature has abolished all of the deductions which in the past have opened the doors to fraud and misrepresentation in tax returns and has imposed in addition a flat emergency tax of 1 percent upon the net incomes of all who are required to file returns.

CONGRESS MUST ADOPT EITHER ONE OR THE OTHER METHOD

Congress must adopt either one or the other method. Personally I believe that the tax on gross incomes is the fairest, and I believe the plan I proposed in my resolution in 1932 (H.J.Res. 381) and on which I addressed the House on May 7 of last year, ought to be given serious consideration. I reintroduced it in amended form on May 19, 1933:

[House Joint Resolution 186, Seventy-third Congress, first session]

IN THE HOUSE OF REPRESENTATIVES,
May 19, 1933.

Mr. GRIFFIN introduced the following resolution; which was referred to the Committee on Ways and Means and ordered to be printed.

Joint resolution to raise additional revenue by reinstating the income-tax rates for individuals and corporations in force prior to the enactment of the Revenue Act of 1932, and, in place of the increases provided by said Revenue Act of 1932, to provide a special income tax of 1 cent on each dollar of gross income for the calendar years of 1933, 1934, and 1935

Resolved, etc., That the income-tax rates for individuals and corporations in force prior to the enactment of the Revenue Act of 1932 (Public 154, 72d Cong.), approved June 6, 1932, namely, the rates as prescribed in Public Resolution No. 23, Seventy-first Congress, which was approved December 16, 1929, are hereby reinstated and restored and shall take effect as of January 1, 1933.

SEC. 2. That there shall be levied, collected, and paid by individuals and corporations, irrespective of and in addition to, the income tax they are subject to under the existing law, or any amendment thereof, a special tax of 1 cent on each dollar of gross income for the calendar years of 1933, 1934, and 1935.

SEC. 3. In computing the income tax on the income-tax return required, the taxpayer shall be permitted to include the gross income tax in the deductions allowed by law.

SEC. 4. This joint resolution shall take effect as of January 1, 1933.

The bill in its final form, it may be remarked, is changed to meet certain objections. As first introduced on May 7, 1932, it simply consisted of the first paragraph providing for the cent-a-dollar tax. This was before the passage of the Revenue Act of 1932, which so foolishly raised the income-tax rates—an increase which, as I have said, has increased the Nation's deficit by $293,000,000 in the 11 months of its operation. I had hoped it might have obviated the unnecessary raise in rates.

Section 2 of the bill, therefore, provides for a return to the income-tax rates of 1929, and section 3 meets the objections touching the charge of double taxation. I, therefore, provide that the gross income tax paid by the taxpayer may be included in the deductions allowed by law.

MY ARGUMENT FOR THE GROSS INCOME TAX (SPEECH OF MAY 7, 1932)

The basic idea of my plan is to put a 1-cent-per-dollar tax on the overhead, irrespective of the existing income tax law. Let them work out their manipulations in avoidance of taxation in their income-tax returns and take advantage of the exemptions and deductions allowed by the existing law, so long as we retain its stupidities, on the statute books.

But tell them, "On your gross income you will hereafter pay 1-cent-per-dollar tax on your receipts, in addition to

the usual income tax." By that I mean the income taxes put into effect on January 1, 1929.

THIS IS PRACTICALLY A SALES TAX

In effect, it is manifest that this proposal is tantamount to a sales tax of 1 cent on the dollar; but it is one that is fundamentally just because it exempts no one whatever. It is a true sales tax, because it is computed at the source on the receipts from what is sold, and not on what is bought or consumed. To tax what the consumer has to buy is a consumption tax. It is a nuisance tax and a fraud on the consumer. It is a despicable fraud, because it taxes those whose necessities are greatest. It is unscientific because the tax is imposed not only on the original cost, but upon all intermediate profits—from the original down to the very last transaction. It taxes not only the employed, who have good wages with which to buy, but also those who are living from hand to mouth, thus making their poverty more difficult to bear.

A tax imposed on the product or thing is slapped squarely on the consumer. While if a very small tax is drawn out at the fountainheads, it etherealizes to nothing by the time it reaches the backs of the consumers.

BUT NOT A MANUFACTURERS' SALES TAX

While I say that the gross income tax here proposed is a sales tax in effect, it is not a manufacturers' sales tax, to which I am bitterly opposed. The objection to the manufacturers' sales tax is that it is aimed at a particular group. It is usually filled with exceptions. The moment the operation of a tax measure is directed against a specific group or groups it becomes unfair and ineffectual. It lessens the spread of taxation and thus increases the burden on those who are obliged to come under it.

OBJECTIONS MET

The gross income tax plan has encountered some objections:

First. From corporations. Their objections I answered in this way:

It is suggested that it is wrong to impose a tax on corporations, which "report" no net income under the income tax law. That, however, is not where the wrong is done. The real wrong is done to the taxpayers of the country in the loose provisions of the law which allow gross earnings to be frittered away by padded pay rolls, bonuses, exemptions, imaginary deterioration of plant, and technical losses, which enable them to escape taxation. It is, of course, true that these exemptions are intended to mitigate the drastic provisions of the income tax as applied to corporations. But it would be better to lessen the unreasonable exactions on corporate bodies than to continue rates which tempt them to exaggerate the exemptions to which they are reasonably entitled.

The fact is that the showing of no net income is a mere matter of bookkeeping. A corporation doing business, year in and year out, without showing an actual net profit is unthinkable. A corporation doing business without profit must necessarily eat into its capital and is, to that extent, perpetrating a fraud on its stockholders. The sooner such corporations wind up their affairs and go out of business the better it will be for themselves, their stockholders, their competitors, and the general public. They are a potential fraud on investors so long as they are encouraged to exist.

OBJECTION OF SMALL RETAILERS

It is represented that the margin of profit to small retailers is so small that it would be unfair to impose this tax on their gross incomes. In the first place, they would be entitled to the minimum deduction of $1,500 per annum at which the tax begins, because the bill does not propose to levy the tax on those whose income does not require them to make a return.

In the second place, this tax is universal and affects equally all who are obliged to make returns. Therefore, as it applies to all equally in every calling and in every line of business, it puts them all on the same basis in competition and gives no advantages to any.

HOW THE GROSS-INCOME TAX WORKS

Corporations: A corporation selling $1,000,000 worth of goods would pay a $10,000 tax. If the article they manufactured and sold was, for instance, frying pans, and they manufactured and sold 4,000,000 of them at 25 cents each, the tax on each frying pan would figure out about one fourth of 1 cent—too small to be shifted, pyramided, or otherwise burdensome to the consumer.

Individuals: With respect to individuals the Internal Revenue Bureau reveals that under the present law few, if any, married men drawing less than $4,000 a year pay any income tax whatever. First, they are allowed $3,500 exemption, and then $400 for each child. Under my bill a married man drawing $4,000 would pay $40 and would have the satisfaction of knowing that he was contributing something for the relief of his country in its present emergency. This, it seems to me, is a good deal better than standing a cut of several hundred dollars in his salary as the present indications point out is likely to happen.

THE TRUE BASIS OF TAXATION

The complicated methods of modern taxation are due to greed and selfishness of certain groups to evade and avoid their share of the Nation's burdens.

The direct tax is the simplest and most desirable. What the consumer pays goes direct into the Government Treasury, less the trifling cost of collection.

With indirect taxation the tendency is to pyramiding the cost, thus exacting more from the consumer than goes to the Government.

The way to meet our failures in taxation methods is not to increase the complexity of the structure by elaborate exceptions, purporting to be for the benefit of the under dog, but to recognize no class whatever, treating all equally.

OBJECTIONS TO PUNITIVE TAXES

Until some way is found to root out greed from the human heart, men will strive to accumulate wealth. The more you try to take away from them by taxation, the greater will be their effort to recoup such losses by gouging the consumers. Excessive taxation thus becomes a boomerang and hurts those it is intended to help.

There is no excuse for taxation except to run the Government. It is not the proper function of government to use taxation as an instrument to reform human nature.

EQUALITY IN TAXATION

The fundamental principle to be scrupulously followed is to avoid invidious class distinctions. No self-respecting American gives any thanks to legislators who try to curry favor with the masses by putting them in an exempt or special class. I believe every decent citizen would rather pay his tithe or ratio of the Government expense by a direct tax than to be robbed by the thousand and one methods of indirect taxation devised by unscrupulous demagogues.

EVERYONE SHOULD CHIP IN

From the figures furnished me by the Bureau of the Census on March 13 of this year, I find that there are in the United States 18,882,794 persons of all ages gainfully employed, and that their average annual earnings are "slightly less" than $1,518.

The following is the break-down:

Distribution, by class, number, and compensation, of those gainfully employed persons whose compensation was reported to the Bureau of the Census

[All figures in this table refer to the calendar year 1929 except those for electrical industries, which relate to 1927]

Class	Number	Compensation
Total	18,882,794	$28,657,490,000
Manufactures:		
Salaried officers and employees	1,567,138	4,195,501,000
Wage earners (average for the year)	8,838,743	11,620,973,000
Mines and quarries:		
Salaries officers and employees	52,633	137,639,000
Wage earners (average for the year)	806,418	1,091,990,000
Distribution:		
Retail (full-time employees only)	3,833,581	5,189,670,000
Wholesale	1,605,042	3,010,130,000
Construction:		
Salaried officers and employees	102,836	302,067,000
Wage earners	828,772	1,467,542,000
Hotels, total employees	291,259	257,034,000
Electrical industries, total employees [1]	956,372	1,384,944,000

[1] Central electric light and power stations, electric railways, telephones, and telegraphs.

Out of these 18,882,794 persons gainfully employed only 1,429,675 made income-tax returns in 1930. Less than a million made returns in 1932.

If all of these 18,882,794 persons who are gainfully employed at the present moment paid a tax of 1 cent a dollar, we would derive an income of at least $800,000,000, based on the relative returns of previous years.

A FIELD UNTOUCHED

According to the census of 1930 there were 36,994,695 persons, 25 years and over, gainfully employed. Yet in that year only 3,376,552 persons made income-tax returns, and of that number only 1,946,675 paid any tax whatever. Of course, the other 35,000,000 paid their share of taxation; but they paid it indirectly by having the tax burdens of others shifted over upon their backs, and, no doubt, in larger proportion than they should properly bear. By a proper system of taxation they would and should be relieved of the whole batch of nuisance taxes and the indirect taxes which are shifted over upon them. The gross income tax will do this. It will abolish all the nuisance and indirect taxes and let each individual bear his just pro rata of the Nation's burdens.

GENERAL SUMMARY

1. A tax on gross incomes is, as nearly as possible, painless taxation. It spreads the base and lightens the load for all.

2. It will make over 400,000 corporations pay taxes instead of 200,000. It will make millions of individuals contribute instead of only 1,900,000.

3. It will put the burden on those who have instead of upon those who have not.

4. It will impose the tax at the source so gently and equitably that it cannot be shifted, evaded, or pyramided.

5. It spreads a light tax equitably among many, making all citizens tax conscious.

6. It avoids evasions and puts an end to "No net-income returns."

Mr. EICHER. Mr. Speaker, although limitation of time for debate has made it impossible for me to express my views on the floor, I feel it to be due my colleagues and my constituents that my reasons for supporting this epoch-making legislation be outlined in the RECORD.

My vote was cast for the rule because of the practical impossibility otherwise to secure the enactment, without fatal emasculation, of the admirably conceived industrial-recovery plan of the President. For the same reason it will be cast for the bill on final passage regardless of the particular taxation rider it may contain to defray the cost of the program. I would prefer no bond issue, for I am opposed to further use of tax-exempt securities in Government financing. The already authorized currency, with its 4-percent annual retirement provision, could be used without danger to the Government's credit and would avoid the deflationary effect of a burdensome tax which will largely offset the benefits expected from the public-works expenditures.

But I shall not quarrel with the administration over the method of financing to the extent of opposing the essential stimulus for the reemployment of labor contained in the bill.

As to the sources of revenue that must be tapped under the President's plan, I also have my preferences; but I shall not carry these preferences to the extent of utter and irreconcilable opposition. I do not like business-throttling increased income taxes, nor gasoline taxes, nor the continuance of the existing nuisance taxes; and I do not like general sales taxes, even with food, clothing, and medicines exempted.

I introduced several weeks ago and called to the attention of the Ways and Means Committee members a bill to levy a tax on stock-exchange sales, and I am convinced that a levy of one half of 1 percent on the money value of such sales would provide sufficient revenue to finance the entire public-works project. With the business revival that will follow on the heels of the increased employment of labor, it could be painlessly collected, and at the same time it would operate as a most necessary curb upon the excessive speculation that may otherwise bring us again to the brink of an economic abyss. But whatever taxes the Congress may finally determine upon, regrettable as the necessity for their imposition may be, I indulge the hope and the confidence that that will be of short duration, because the imminent repeal of the eighteenth amendment will at once transfer the needed millions from the dirty coffers of the bootlegger and will remove this burden and other tremendous burdens from the bowed back of legitimate business.

The bugaboo of unconstitutionality, so legalistically and rhetorically held up before the committee on yesterday by the learned gentleman from Pennsylvania [Mr. BECK], should not alarm. From the time of John Marshall no doubt has remained that our Constitution was operative as an expansible mantle of protection for popular government, and not as a strait-jacket. Rugged individualism has been swallowed up in the maw of mass productionism that has been encouraged by the policies of the last decade, resulting in socially destructive monopolistic development in spite of restrictive statutes. A certain measure of social control must be resorted to, else no hope remains for the existing system. It is exactly for the purpose of restoring the lost individualism of both employer and employee in industry, and to make conditions of fair, open, and honest competition again possible, that the paternalistic admonitions to be administered to industry under this bill are so vitally necessary at this time. When the drooping economic structure again holds up its head, there need be no public fear that a representative Congress will permit undue governmental control to continue.

Mr. GRAY. Mr. Speaker, this panic was caused by a fall of values, the price level and the wage scale, brought about by the secret contraction of money and credits and resulting in a failure of earnings and income, destroying the buying and consuming power of the great masses of the people. A restoration of prosperity requires that the buying and consuming power of the great masses of consumers be first restored to them. And this can only be done by raising commodity values and the wage scale back to a higher level to be permanently stabilized there.

While this bill providing for an appropriation of over $3,000,000,000 will restore employment temporarily at a lower wage level and to certain laboring classes, it will not restore the buying and consuming power of the great masses of the people nor restore the same to the limited class permanently. Unless the relative value of money and commodity prices is changed, and which change can only be brought about by restoring the volume and supply of money in circulation, the prosperity stimulated will be temporary and will fall back as soon as the money provided is exhausted and the money expended will find its way back to certain banks to be hoarded.

It is true that this expenditure for highways and new buildings will not be wasted and will bring a partial recovery of consuming power to a part of the people temporarily and for a time.

And this appropriation of money could be justified if it were not for the increase of the already heavy tax burden upon the people. If this partial and temporary expedient must be resorted to, the present tax burden could be avoided and the same or better results accomplished otherwise. I voted consistently against the special rule brought out for the consideration of this bill to prevent all amendments in order to gain an opportunity to offer an amendment whereby the amount required could be raised by issuing non-interest-bearing currency notes to that amount. This would have avoided the heavy tax burden and the millions of interest which must be paid on the bonds to be issued.

As the rule has prevailed, and as I am not a member of this committee, I am now barred here from offering as an amendment the bill I have filed in the House today, H.R. 5800, as follows:

[H.R. 5800, Seventy-third Congress, first session]

A bill to restore and stabilize commodity values and the price level

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to issue United States notes in such amounts and at such times as may be necessary to accomplish the purposes of this act. Such notes shall be issued pursuant to existing law, except that the limitation contained in section 6 of the act of June 20, 1874, on the amount of United States notes which may be outstanding shall not apply, and all the provisions of existing law shall apply to such notes when issued.

SEC. 2. United States notes issued under this act shall be used to—

(1) Take up and retire maturing bonds and similar obligations of the United States;

(2) Pay the current expenses and obligations of the Federal Government; and

(3) Carry out the program of public works authorized under the Emergency Relief and Construction Act of 1932, and all public works authorized and which may hereafter be authorized as a measure or measures of relief.

SEC. 3. After the date of the enactment of this act, and until the index number of wholesale all-commodity prices as shown by the Bureau of Labor Statistics of the Department of Labor is equal to index number of the wholesale all-commodity prices for the calendar year 1926 as so shown, no bonds or similar obligations of the United States shall be issued. Thereafter, the Secretary of the Treasury shall, in such manner and at such times as will in his judgment best maintain and stabilize the wholesale price of commodities at the 1926 price level, issue bonds and similar obligations of the United States and retire and cancel or issue United States notes under this act.

SEC. 4. The Secretary of the Treasury is authorized and directed to make such rules and regulations as may be necessary to carry out the purposes of this act.

There has been no reason offered here showing why United States non-interest-bearing currency notes should not finance this program of works and construction. This currency has now been declared good and sound by both Houses of Congress and by the President, and the power to issue the same has been conferred upon the President. It would save the present tax burden and the people over $150,000,000 annually. It is opposed and prevented here by the money lenders, who demand this pound of flesh interest before the bill can be made a law. And they have educated the people using the words "fiat money" and "inflation" to make them believe in and demand interest-bearing bonds instead of non-interest-bearing currency. And this educated demand of the people is here reflected back upon their representatives to hold them in line and keep interest-bearing bonds in the bill.

There is a special reason why this amendment should have been offered and adopted to this bill at this time. We are suffering today not only from a failure and destruction of the buying and consuming power, but from a failure and destruction of the tax-paying power of the people, a failure of the ability of the people to pay taxes, high taxes, low taxes, or any taxes.

Following the close of the great World War, certain international financiers and bankers, to increase the value of their war-debt claims and bonds, organized a criminal conspiracy under a secret gentlemen's agreement. To carry out and complete this organized movement, a secret bankers' meeting was held May 18, 1920, in Washington, D.C., behind closed doors and curtains, and in the very shadows of this Capitol; and, in the name and style of "the orderly deflation committee of the American Bankers' Association", a secret resolution was passed calling upon the Federal Reserve Board to contract the volume and supply of money.

Following this secret bankers' meeting, the Federal Reserve banks, under order of the Federal Reserve Board, contracted and withdrew from circulation more than one half of the money and credits of the country. Following and under the laws of money, as money was contracted and withdrawn from circulation, the value of all money, money contracts, and the war-debt claims and bonds, held by these manipulating financiers and bankers, were doubled, tripled, and multiplied in value; and under the same economic and monetary laws, values, the price level, and the wage scale were forced down to ruinously low levels, which destroyed not only the buying and consuming power of the people but their taxpaying power as well.

Under this fall of values, the price level, and the wage scale, the people have been deprived of their means, earning and income, of their all with which to pay taxes. Their taxpaying power has been destroyed, has been withdrawn and taken from them. Under this failure of earnings and income, this destruction of the taxpaying power, the people cannot both pay taxes and live, and every impulse of nature and life, calls men to live before the payment of taxes. Their only means with which to live is their property, substance, and homes, and without which men are cast adrift upon the sea of uncertainty, facing want, suffering, and distress, not only themselves alone but those who by nature are dependent upon them for food, clothing, and shelter.

Under the natural impulse of men to live, the law of peace, order, and property must give way to the higher laws of life; and will give way to the higher laws of life when men are forced to choose between the law of peace, order, and government and the higher law of the right to live.

While the people are suffering today from a failure of the taxpaying power and the inability to pay taxes, even low taxes, we are taxing the people to loan money and finance the great banks of the country, solvent and insolvent. We are taxing the people to loan money and finance the railroads of the country without earnings or dividends with which to pay either interest or principle. We are taxing the people to loan money and finance the insurance companies of the country, some of which are paying their high officers more than $200,000 each as salaries. We are taxing the people to loan and finance the farm lenders and mortgagees to the amount of $3,000,000,000, under the name of farm relief, but for the benefit of the lenders.

We are taxing the people to make loans in millions to the several States of the Union to pay out as a dole or for works to furnish employment. And we are now proposing to tax the people to finance a $3,000,000,000 program for buildings we do not need and which we may never need, and many of which we should not build now, even if they were needed. We are still plunging headlong in a mad orgy of spending toward the shoals and breakers of national insolvency and bankruptcy and to pile still higher the burdens of crushing taxes as a choice of prosperity measures and over measures which call for no taxes and no interest charge to the people.

The tax charge upon the people has grown until today it is over $14,000,000,000 annually, or an average per-capita charge of $116. The total debt charge upon the people is $203,000,000,000, or an average debt charge of $4,300, with an annual interest charge of $115. The total tax and interest is over $22,000,000,000. The average per-capita tax and interest charge is over $200. This every man, woman, and child must pay before they can provide themselves with the necessaries and comforts to live.

This staggering tax and interest charge is paid by the great, common, laboring consuming classes. Sometimes the people, staggering under the burdens of taxation, in righteous wrath and indignation, demand a tax law requiring an equal tax payment from money, capital, and wealth, and enact their demand into law. Then if the statute runs the galling gauntlet of the shrewd and crafty and the ablest constitutional lawyers which money and high salaries can buy, and the tax is assessed and levied, the certain special few men upon whom the tax will fall, in control of industry and production, and the power to fix the price and control the supply and distribution of the necessaries, with the power of a king and the flourish of a despot they shift the tax back upon the people and levy and assess the same upon the necessaries and comforts to be collected from the helpless individual man, and they make the people pay their taxes.

I quote here from the Honorable Calvin Coolidge, late President of the United States, speaking upon another phase of taxation, but incidently observing as follows:

Taxing the rich to help the poor; the poor not helped but hurt. Taxes have to be collected by the rich before they are paid. They

are collected from all the people. A higher tax means real wages are lower, the cost of living is higher, the chance to work is less, every home is burdened, the value is decreased, the quality of the food, clothing, and shelter of the children is reduced.

This statement of the great ex-President is true and strongly and explicitly stated. I only disagree with him in one particular—as to the remedy. Instead of exempting the rich because the rich shift the tax back upon the poor, instead of giving up the right to tax the rich and leave the poor to bear the burdens of unequal taxation, I would find some way, I would devise some means and method to tax the rich as well as the poor by taking control of industry away from the rich to protect the poor and make the rich pay their own taxes.

The economic or industrial power, the power to control business and industry, the power to control the supply and distribution of the vital necessaries of life, is a greater power than the taxing power, a greater or a rival power than of the power of the Government itself. While the power to control the price level, control supply and distribution of the vital necessaries of life remain in the control of any certain few men, there is no way provided under the taxing power to enforce an equalization of the burdens of taxation. There is no way to force the levy and collection of equal taxes from corporate wealth, from the certain special few.

But the labor and the consuming masses must not only pay the tax charge but must pay the interest charge upon the staggering, increasing total national debt. They must pay the interest charge upon the corporation debt of $76,000,000,000, all of which is reflected back upon the consuming masses. They must pay the interest charge upon the urban mortgage debt of $37,000,000,000. They must pay the interest charge upon the bank loans of $35,000,000,000. They must pay the interest charge upon State and county debts of $25,000,000,000. They must pay the interest charge upon the national debt of over $20,000,000,000. They must pay the interest charge upon the farm-mortgage debt of $9,000,000,000. They must pay the interest charge upon life-insurance policy loans of $3,000,000,000. They must pay the interest charge of retail installment loans of $3,000,000,000. They must pay the interest charge upon usurious pawnbrokers' loans of $1,000,000,000. They must pay the interest charge upon a total staggering debt of over $203,000,000,000. And now we are proposing to make them pay interest upon an additional loan of over $3,000,000,000 to stimulate temporary prosperity among a part of the people by spending.

The taxes for the payment of both interest and principal of this huge amount must be collected from the people and will be collected from the common consuming classes. Andrew Mellon, ex-Secretary of the Treasury and multimillionaire, has not paid his taxes. J. P. Morgan, world financier and banker and many times a billionaire, has not paid his taxes. Thousands of like bankers and manipulating financiers have not and will not pay their taxes. But we have collected from the soldiers by withholding from the pensions and disability allowances. We have collected from the wage earners and small-salaried men by taking the tax from their pay envelops. We are now to assess this tax against the small-income man, who is helpless and dependent, unable to employ crafty constitutional lawyers, has no standing in court, and will be compelled to pay promptly or suffer the penalty for default.

There is only one way to save and conserve the people's scant earnings and income, and their property, substance, and home, by which and in which to live—and that is to stop, reduce, and suspend the assessment and collection of taxes until their earnings and income are restored, until their ability to pay taxes and live—their taxpaying power—is restored, until their power to pay both taxes and live is returned and made secure to them. The assessment and collection of taxes must be stopped, reduced, or suspended. The costs and expenses of public affairs must be reduced to bare necessity, must be brought down to the common level with the ability of the people to pay.

This huge tax and interest burden should not be added and piled higher until there is a restoration of the tax- and interest-paying power of the people. There is only one way to meet the costs of this huge expenditure of money without intolerable burdens upon the people before there is a restoration of the taxpaying power. That way is by a resort to United States non-interest-bearing currency notes in place of the interest-bearing bonds and the present taxes to be imposed. If this administration program must be tested and tried out and experimented with on the theory that prosperity can be brought back by temporarily and artificially restoring the buying and consuming power of a comparatively limited number of people, the experiment ought to be made and the theory tested and tried out without imposing present taxes and without further increasing the burden of interest.

But as this building and works legislation has been determined upon by the administration as a part of the recovery program, and as the expenditure of this amount of money in the employment of labor and the purchase of material will restore the buying and consuming power of a part of the people and will indirectly stimulate the buying and consuming power of other people and will of itself bring partial and temporary relief, and in the hopes that the trial will hasten the currency expansion part of this program, I have determined to vote for the bill in its present form. While the provisions calling for taxation and the payment of interest on bonds is far from my choice, yet some action must be taken and this will be better than standing still in the midst of a great crisis.

Mr. MARTIN of Colorado. Mr. Speaker, I listened with profound interest to the able, philosophical discussion of title I of the Industrial Recovery Act by the distinguished gentleman from New York [Mr. WADSWORTH], and I agree with him that it presents a fundamental issue and marks a new departure in the direction of American Government; but I do not agree with the view that this measure creates the fundamental issue. It merely recognizes the existence of economic and industrial conditions creating the issue and seeks a way out.

If, as the gentleman exclaims, this legislation marks the end of individualism in America, it does not in itself kill individualism. In the language of the French, it merely recognizes a fact accomplished.

New and revolutionary methods in business, industry, and agriculture, which for convenience I may denominate the system and the machine, are constantly, increasingly, and permanently displacing the manpower of society, rendering it imperative that new methods be devised to make the manpower of society a charge upon the system and the machine, if our civilization is not to become chronically pauperized and our economic structure not to collapse.

This is no mere passing panic, out of which we may grope our way back into what we have known in the past as a condition of tolerable prosperity. This so-called "depression" is a permanent challenge to outworn relationships in the production and distribution of wealth and the answer must be a managed and regulated economic and industrial system if our institutions are to survive.

A door has closed behind us, never to reopen. The mind which conceived title I of this act—industrial recovery—had the power to analyze and appraise existing conditions and their causes and the vision to formulate a remedy. This title opens a new door through which, like it or not, the people of America must pass.

The worst thing that could come out of this depression would be that we could muddle through it and regain a state of so-called "prosperity", wretched enough in itself, without learning anything from it or modifying the agencies and practices which caused it. It is erroneous and inadequate to look upon the panic of 1929, and the speculative orgy which precipitated it, as the sole cause, or the main cause, of the present prostration of the economic life of the country. Long before the panic of 1929 agricultural commodities had fallen below the cost of production and agricul-

ture was prostrate. Long before the panic of 1929 permanent unemployment in industry was increasing. Long before the panic of 1929, and underlying the so-called prosperity of stock and bond exploitation, the creeping paralysis of hard times was spreading over the land. These are facts. Even had there been no panic in 1929, we would be in the grip today of very hard times and industrial and agricultural prostration, and with millions of unemployed.

This crisis, which is world-wide, is most acute in the United States, because the United States, of all countries, has the most gigantic business systems, more gigantic machinery in operation, the greatest efficiency in production, the greatest perfection of methods and appliance for the elimination of hand toil.

The displacement of labor, both skilled and common, by the system and the machine is so obvious that it is known by the man in the street. It is less obvious, but none the less true, that the machine is putting the farmer out on the highway as rapidly as the laborer, that it is taking the bookkeeper from his stool, the clerk from behind his counter, and the telephone operator from her switchboard. The white collar is going into the discard along with the horny hand and the overalls. Indeed, it may be said that every day in every way the need for human labor is becoming less and less.

Recently I read a statement issued by Professor Prosser, of Minnesota, which I accept as true, and the statement was this: "The return of prosperity will not solve unemployment." In the article containing this statement, Professor Prosser gave some startling figures. He said that in 1899 four and one half million workers turned out products of the then market value of $11,000,000,000, and that in 1929, 30 years later, eight and one half million workers turned out products of the then market value of $68,000,000,000. In other words, less than twice as many workers turned out six times more products through improved methods of production—that is, through the machine. Professor Prosser calculated that by applying the machine methods of 1899 in 1929 it would have required 20,000,000 more workers.

He could have carried this survey on to the farm in the production of the great staple crops, with the same startling results. He could have shown 3 men harvesting a wheat crop in 1929, which required 30 men 30 years before.

He could have carried this survey into the banks, the business houses, the offices of the country, and shown the machine doing the work of the hand and the pen.

In a remarkable article published by Prof. Albert Einstein last summer, he enumerates the causes of the world depression, including overproduction, which he denies to exist with the possible exception of automobiles and wheat in the United States, the war debts, tariff walls, dumping by debtor nations on creditor nations, overspeculation, the loss of the Chinese and Russian markets, monetary inequalities; in fact, all the popularly attributed causes of the depression, and then states that the major cause is the machine. His remedies are community control of supply and demand, and shortening the working week to eliminate unemployment, and fixing the minimum wage so that the workers' buying power will correspond to production.

Wince as you will at the term, we must have a greater socialization of the production and distribution of wealth. We must regulate production, prices, hours, and wages. We must have a planned and managed economic system. Clarence Darrow comments pessimistically that the 30-hour week will not solve the problem, because the machine will soon overtake it. The answer is, it matters not how short the week must be. Society must ride the machine or be crushed by it.

This legislation is a recognition of this need and an experiment in methods to meet it. It will, as the gentleman from New York [Mr. WADSWORTH] said, be permanent in its effects, even though the act be temporary. It is the result of no hysteria. It is a clear-sighted recognition of the break-down of the old order and the inescapable necessity of a planned and managed economic system, planned and managed for a more equitable distribution of service and wealth, which must be established if we are to avoid anarchy and revolution and a genuine dictatorship.

Mr. SMITH of Washington. Mr. Speaker and Members of the House, there are many excellent features in this bill. Most important of all, it is intended to give employment to millions of our citizens throughout the Nation who are jobless.

I consider that paragraph 4 in section 205 is a just and wise provision, to wit: In the employment of labor in connection with any such project, preference shall be given, where they are qualified, to ex-service men with dependents. I hope that this will result in all veterans of the World War and the Spanish-American War receiving work at just and reasonable wages and that without delay. This is the least that we can do for the veterans after the injustices heaped upon them by the so-called "Economy Act", which I voted against, and which I trust will soon be repealed.

Much can be said against the taxing features of this measure, both the gasoline tax and the increased tax on small incomes. There may be some justification for the increased gasoline tax in view of the allocation of $400,000,000 carried in the bill for road construction, but I doubt it.

Instead of increasing the taxes on small incomes, we should increase the taxes in the higher brackets on the big incomes to make the rates conform to the British and French rates. We should increase our Federal estate or inheritance taxes on the estates of the millionaires. Great Britain realizes approximately one fifth of her total tax revenues from death duties, and our Federal and State Governments combined have raised less than one twentieth of their total taxes from this source. However, the bill is not subject to amendment, so we have to accept it as written by the Ways and Means Committee.

The bill provides funds for river and harbor improvements, a larger percentage of which are expended for labor than in the case of any other public works. Many of these meritorious improvements will be made in the State of Washington, and particularly in the southwestern portion thereof, and take up some of the slack in employment.

I voted against the McCormack motion to recommit and substitute a sales tax in keeping with my pre-election pledge to the people of my district that I am unalterably opposed to a sales tax, because it is a tax on consumption and falls proportionately most heavily on the masses. Let us rather tax the big fortunes and big estates of the millionaires and billionaires, and I venture the prediction that this will be done in the not distant future, perhaps when this very bill gets over to the Senate. I hope so.

This is the most important legislation proposed by President Roosevelt as a part of his great emergency relief program and is entitled to receive the hearty support of all those who love America and would again see our people employed, happy, and prosperous.

Mr. GRISWOLD. Mr. Speaker, in addition to what I said on yesterday in speaking against the rule on this bill I wish to state some of the evils in the bill to which I referred and on which I could not enlarge for lack of time. I favor the principle of the bill, and I feel that if the bill had not been forced on us under gag rule, which prohibits Members from offering amendments from the floor, we could have made of it a bill that would have been of great benefit.

ANTITRUST LAW

By this bill we abolish the antitrust law. It has been the only thing that ever protected the independent and small manufacturer and merchant. Congress abolished it years ago insofar as utilities are concerned, and because it did we produced Samuel Insull and high utility rates. Today we complain about the excessive light, power, and rail rates. We complain because Samuel Insull and his banker associates robbed the small investor. If Congress had not taken the utilities out from under the antitrust law we would have no complaints. By this bill Congress will take all out from under it and breed a million complaints from

small investors. This bill will destroy competition and set the stamp of approval on monopolies while authorizing them to raise prices on every article the consumer uses. By this bill the Government becomes the partner of monopoly for private gain at public expense.

INCOME-TAX PROVISION

As the bill is I question whether or not the benefits to be derived will be in any way commensurate with the tax burden we are placing upon an already overtaxed people, and we are placing the burden of taxes on the laborer, the farmer, and the independent merchant, while leaving those of vast wealth, such as J. P. Morgan, free from taxes. It is appalling when we think that the combined income tax paid by the 20 members of the firm of J. P. Morgan & Co. 3 years ago was only $48,000, and that during the past 2 years Mr. Morgan paid no taxes at all, although he was able to give to men in high position and political power stock subsidies of millions of dollars. He was also paying income tax in England last year and the year before, although he was not paying taxes in his own country. This bill should correct that evil and allow these men of great wealth to pay some of the cost of this public-works improvement.

THE RAILROAD-LOAN RACKET

The committee has inserted in title 2, section 203 of the bill this provision:

> To aid in financing of such railroad maintenance and equipment as may be approved by the Interstate Commerce Commission.

I am opposed to a single dollar of this money raised by these taxes going to a railroad company under such a provision as this. The railroads have already borrowed from the Reconstruction Finance Corporation $355,809,572.48, and they will never repay it. Every dollar of these loans was approved by the Interstate Commerce Commission. Why just last week the Washington papers contained a whole column on the fact that suit is being instituted by the Reconstruction Finance Corporation for $23,000,000, in which the Van Sweringen roads are in default on the theory that there was fraud in the obtaining of that loan. O. P. Van Sweringen was on the favored list of J. P. Morgan & Co. and received 2,500 shares of the Alleghany Corporation stock. He then used the money obtained from the Reconstruction Finance Corporation to buy Kansas City Terminal at twice its actual value from the Alleghany Corporation. Morgan and Van Sweringen both profited. Only the taxpayer lost. He lost to the extent of $23,000,000.

The railroads have never yet retired a bond except by issuing other bonds. We talk of high freight rates. Today freight rates are based so that the railroads may earn 6 percent on capital expenditures and every time you lend them a dollar and they expend that dollar, on that borrowed dollar of your money so expended for maintenance and equipment they have a right to increase freight rates to show an earning of 6 percent. They carry on their books today in their capital account hundreds of engines and thousands of cars that are obsolete and unfit for service and are on storage tracks. At the same time they carry on that account of capital expenditures the amounts expended to replace those cars, charging double on their books so that they may increase their freight rates.

THE RESULTS OF THE LAW

I should like to see a bill passed that would relieve our present economic condition but I do not believe that a bill that perpetrates such a fraud as this on the taxpayers of the country can relieve that condition. I am not talking against this bill and I am not talking against the principle of this bill insofar as it concerns restoring us economically. I am opposed to the evils in it and if the bill does not correct the evil of leaving a few thousand men of great wealth almost entirely free of taxes while placing the burden on the other 120,000,000 people of this country I shall oppose it. If it does not correct the evil of lending money to railroads to be used as a plaything of great bankers instead of using it for the benefit of the public I shall oppose it.

But for the gag rule, which I spoke against and voted against, we could have corrected these evils and conscientiously voted here for a good bill. I cannot conscientiously accept many bad things to get a little good when we could have so easily had a bill that was all good. Even at the expense of criticism I refuse to compromise with the tax-dodging firm of J. P. Morgan & Co. and to vote for a bill that increases the income tax in the lower brackets 300 percent and only increases it in the higher brackets 15 percent. Thousands of farmers in my district last year paid more taxes than J. P. Morgan with his millions.

DELEGATED POWERS

I have all the faith in the world in the President of the United States and his desire to do that which is right and proper, but that faith does not extend to some of his advisors. Under this bill he must delegate these duties to an administrator who will advise him as to these trade agreements and those administrators are not always wise. The fact that the men who handle these delegated powers are not always wise is best proven in the case of the Administrator of Veterans' Affairs who advised the President regarding veterans' economies and who stands before the country now proven to have given false advice after the President put it in practice, and the President realizing the falsity of this advice and of the results of it is now changing those regulations, but he still has as his advisor the man who gave him erroneous advice and if his advice was erroneous once, it may be again, and we will have the same thing with any man to whom he delegates power. A man who is drunk with the lust of power that is given him disregards the rights of others, disregards the rules of common justice, and gives even the President who created his position, erroneous advice and allows the President to bear the odium as the result of that erroneous advice.

Mr. FORD. Mr. Speaker, I wish to state that I am for this bill as a whole but am opposed to the taxation feature. The constructive portions of the bill are administration measures. The President is definitely sponsoring them. But he is not suggesting or advocating the taxation portion of the bill.

I very much object to the feature of the bill whereby the income taxes are greatly increased on the lower levels and almost untouched on the higher. I maintain that just the reverse is the equitable plan. And I condemn such a discrimination in favor of the rich.

Surely the place to go for tax money is where the money is. Certainly at this time of stress and strain we all feel that a redistribution of income in the United States is essential. And the place to begin is at the top. We all know that a too great concentration of wealth is the cause of our economic ills.

I hope that the time is coming, and that very soon, when no man in America will have an income of a million dollars a year.

Happily, the bill has the very sound provision subjecting dividends to the normal tax, that tends to increase the tax revenues derived from enormous incomes and to make the increase on such incomes comparable to that on small incomes.

Mr. DEEN. Mr. Speaker, there are several reasons why I could not vote for the public works bill, H.R. 5755, which recently passed the House. In the first place, it was not the President's bill. In his address to the Congress on May 17 the President said:

> Careful estimates indicate that at least $220,000,000 of additional revenue will be required to service the contemplated borrowings of the Government. This will of necessity involve some form or forms of new taxation. A number of suggestions have been made as to the nature of these taxes. I do not make a specific recommendation at this time, but I hope that the Committee on Ways and Means of the House of Representatives will make a careful study of revenue plans and be prepared by the beginning of the coming week to propose the taxes which they judge to be best adapted to meet the present need and which will at the same time be least burdensome to our people. At the end of that time, if no decision has been reached or if the means proposed do not seem to be sufficiently adequate or certain, it is my intention to transmit to the Congress my own recommendations in the matter.

It is therefore clearly evident that the Ways and Means Committee adopted their own plan for raising the revenue rather than waiting for the President to transmit his own suggestions. I preferred to wait for the President's suggestion on this matter of raising the revenue.

There is no man who desires that employment shall be made possible for the millions of unemployed more than I do. I challenge any man on this proposition. For months my heart has gone out to those who have sought work but could not find it. I have done my best at all times for the unemployed of our Nation, both privately and officially.

The Federal Government already has outstanding bonds and debentures that must be paid by the taxpayers amounting to $20,000,000,000. The size of this debt on the American taxpayers can be better understood when compared as follows: There are less than 2,000,000,000 people in the entire world, to be exact, around one and three fourths billions. Another illustration will reveal the size of our present bonded indebtedness as follows: The $20,000,000,000 indebtedness is an outstanding tax obligation of approximately $200 for every living person in the United States. The size of a billion can also be better understood when we realize that it takes 1 man 4 years and 4 months, working 8 hours a day, 6 days in each week, counting $10 bills to count a billion dollars.

The rich people of this country have bought practically all these Federal Government bonds and all of them are tax-exempt securities, the interest and principal being guaranteed by the Federal Government. It has never been right for the Federal Government to flood the country with these tax-exempt securities, in which the rich invest their money, pay no taxes on them, and at the same time keep their money out of industrial and agricultural investment. The rich of the Nation will never place their money in public projects, in lands, buildings, and so forth, as long as this subsidy is given them by the Federal Government.

The public works bill provides for the issuing of $3,300,000,000 in Government bonds at 4-percent interest. This means, if the bill passes the Senate and becomes law, that these bonds will be bought by the Morgans, Mellons, Millses, and Meyerses, and others who have their millions. They will pay no taxes on their investments. They will clip their coupons, get their interest, grow fat on the poverty-stricken people who will sweat under all the new tax burdens included in this bill. This is unjust and unfair to the great middle class of people, who are paying 85 percent of the tax burdens already.

The Senate investigation of J. P. Morgan going on now here in the Capital shows that he and 19 other millionaires have made millions on stocks and bonds and that in 1929–30 and 1931 they paid scarcely any tax and in one or two years paid no tax at all. How in the face of all this can we continue to go ahead and allow the same thing to occur again?

The bill under consideration provides that the increase on income taxes shall be raised from 4 percent to 6 percent on incomes up to $4,000, and from 8 to 10 percent on incomes above $4,000. I am in favor of this increase on small incomes but why did not the committee allow the bill to be amended so that the rate could be increased more on large incomes? I want a larger increase on large incomes. Why did they refuse to raise the rate a great deal more on larger incomes? There are millions of salaries and incomes running up in the 25- and 50-thousand-dollar class and thousands of incomes running up in the 200- and 300-thousand-dollar class. I am in favor of increasing the rate on these larger incomes and salaries. The committee refused to permit amendments to the bill that would have corrected this situation. A man receiving an income of more than a half million dollars per year should be required to pay 75 percent or 100 percent of it to the Government.

Again, the bill provides an increase of three fourths of a cent tax on each gallon of gasoline sold to the consumer. It also extends all the nuisance taxes in the revenue bill of 1932. This would not have been necessary if the proper tax had been placed on large incomes. Many of the nuisance taxes in the Revenue Act of 1932 could have been discontinued had the proper income tax been placed on incomes in the higher brackets.

Another dangerous provision of the bill is that section 5 exempts from the provisions of the antitrust laws business operations carried on in compliance with a code, agreement, or license approved or issued under the bill. This modification of the antitrust laws means the end of all small business. The antitrust laws have been pigeonholed too long already and with this modification big business will have an open sway and it is only a question of how long will fish bait hold out, for the big fish will get the remaining few small fish. Mergers, combines, consolidations, encroachments, and monopolies have taken their toll and the small-town average business has been weakening for years, suffering from the strangle hold of big business.

Section 1 of this bill enables trades, industries, and business of similar relation to set up a code by which the related business may operate. It makes it impossible for small business to exist because big business will formulate and put into effect the trade code of competition, and so forth. It also makes the Federal Government a partner in every line and activity of business. Every form and kind of business will be licensed and regulated by a dictator in Washington. The President will select the best man possible, but even then it will be disastrous and destructive to individual business and enterprise. The Federal Government is already in too much business. What is greatly needed is more business in the Government and less Government in business.

Under the unlimited restrictions and provisions of the bill I would not be surprised if there is an alarm clock placed in Washington to call everybody in the mornings; a dinner bell by which all shall stop work and eat and perhaps instructions as to the kind and color of pajamas we should wear in winter and summer.

The unconstitutionality of the bill has been clearly and definitely shown by the two most distinguished constitutional lawyers of the House; Representatives BECK, of Pennsylvania, and COX, of Georgia. They have cited numerous cases where the Supreme Court has held that such a law was wholly unconstitutional because it interfered with State rights relating to interstate commerce. The barring from interstate commerce, goods that were manufactured under the provisions of the bill limiting the working hours to 30 per week, is an infringement on State rights as it involves the right of a State to regulate its own interstate commerce.

The bill provides that the hours of labor shall be limited to 5 days of 6 hours each, or not more than 30 hours per week. Proponents of the bill say this will be a blessing to labor. I am for better conditions for labor; better wages and better treatment, but this bill, in by judgment, will be destructive to labor in this way. Manufacturers will resort to labor-saving machinery more than heretofore in order to escape the provisions of this labor requirement. All the skill, money, and brains of the country will be mobilized in the future to further perfect and utilize labor-saving machinery, which, in turn, will destroy human labor. Labor-saving machinery has been used too much already. Millions of men are idle while one machine does the work formerly done by a hundred or more men.

There is another sound reason why I could not support this measure. Miss Frances Perkins, a member of the President's Cabinet and Secretary of Labor, recently issued a statement in New York entitled "The Barefoot South", in which she displayed her lack of knowledge of and sympathy for the South and its problems. She said:

> When you realize the whole South of this country is an untapped market for shoes, you realize we haven't yet reached the end of the social benefits and the social goods that may come from the further development of the mass-production system on a basis of consuming power in the South which will make possible the universal use of shoes in the South.

Since the labor provisions of this bill will largely be administered by and under the direction and supervision of the Department of Labor, I cannot see how the South can profit under such leadership as is in the Department of

Labor. It is true that some of us in the South go barefooted and have large feet, but is due largely to our wonderful climate and southern freedom. It is also true that money moguls and money sharks from the honorable Secretary's own State and city have so manipulated the affairs of the Government for the past several years that they have bankrupted our fair Southland. A den of gamblers on Wall Street who never saw a stalk of cotton growing have robbed millions of children of bread and practically bankrupted the Nation.

I do not wish to be discourteous to the distinguished lady at the head of the Department of Labor, but I am convinced that if she administers the labor provisions of this bill in the same proportions as she has cast insinuations on the South and showed an utter lack of sympathy and knowledge of our problems, then God save the Nation!

Again, evidence has been clearly shown that the $3,300,000,000 will be gobbled up by a few of the moneyed centers of the country; that the agricultural sections will receive no benefits from its principal provisions. Here is one clear-cut proof: The committee, before the bill was passed, had a change of heart and submitted an amendment which took away from 32 of the States several millions of dollars of the allotted $400,000,000 for the road funds. Under the provisions of the amendment Georgia lost $260,000, or more than a quarter of a million dollars; Illinois gained $2,000,000; Massachusetts gained $2,000,000; New Jersey gained $1,908,000; Ohio gained $1,280,000; Pennsylvania gained $3,860,000; California practically a million; and New York gained $5,200,000. A few other States gained less than a million.

Members of the House from the 32 States that lost all voted against the amendment, or practically everyone did, yet Members from the other 16 large States were in the majority and outvoted us, carrying the amendment by a small majority. This was a concrete example that there was a determination on the part of the money centers of the Nation to fix the bill so that when it is administered they will get the cream and most of the milk, while the weaker and small States will get practically nothing. I could not vote for a bill that took $260,000 away from my taxpayers and dumped it in the laps of those States that happened to have larger populations. In government the weak and strong are supposed to fare justly and equitably under the law.

There is still another reason why I could not support this bill. The towns, cities, counties, and States of this country are already—most of them, at least—in debt and are bonded to the limit. How are they going to borrow all these billions from the Federal Government and give security? If they borrow it, they will have to increase their tax rates to pay it back with interest. In the first place, the Federal Government will issue bonds, sell them, and get the money. The people will be taxed to raise money to pay the interest and principal on the bonds. When the money has been raised by the Federal Government, then it will be loaned to cities, counties, and States. Those who need it worst cannot get it. If and when it is loaned, then the cities, counties, and States must assess taxes, increase the tax burden in order to raise the money to pay interest and principal to the Federal Government. This means higher taxes and more taxes for the average man, who is already paying the bills. Under present conditions this system of business and theory if put into practice will bankrupt the remaining weak structure of agriculture and business. The average American cannot stand any more taxes, the opinion of all proponents of the bill to the contrary notwithstanding.

Mr. Speaker, I know that the unemployed millions must have work, and have it now. I realize this, and I learned years ago not to criticize anything unless I could offer something better in its place. Rather than increase these onerous and burdensome taxes contained in the Revenue Act of 1932 and continued here, with an increase in the tax on gasoline, I have repeatedly urged the following plan: Let the Congress enact legislation that will increase the income taxes on large incomes, using a graduated scale, so that the larger the income the larger the percent of income tax, until incomes of over a half million dollars—and there are plenty of incomes this large and larger in this country—then take the entire amount for tax and place in the Federal Treasury. No man has any right or business with such huge incomes. Again, let the Congress enact legislation that will increase the gift tax, the inheritance tax, and excess-profit tax. A graduated tax on these four items would place from four to seven billion dollars in the Treasury annually. Nuisance taxes on the middle class of people, who are now bearing practically all the load, could be repealed.

Here is the other suggestion I have contended for: Congress recently passed a bill, the farm bill, with an amendment called the "currency expansion" or "inflation amendment." It permits the President to authorize the issuance of $3,000,000,000 in new money. Why not issue this new money now and take it and put the unemployed to work? Why pass legislation of this kind and with this power if it is not going to be used? There would be no bonds issued and no interest to pay, and therefore no taxes to be increased, if this new money was printed and used. Repeatedly Members of Congress asked the question why this policy was not pursued, and so far I have failed to find anyone who can answer it. I am here and now declaring, in no uncertain terms, put the printing presses to running and issue this new money and relieve the unemployment situation without saddling any more taxes, debts, and bonds on the average man. There are billions of unpaid taxes now; how can the people pay additional onerous and burdensome taxes when it will take them 3 or 4 years to catch up on the past-due taxes?

Mr. Speaker, although there were 7 hours allowed for debate on this bill, H.R. 5755, and I made several requests for time, there were 50 or more Members who desired to speak on this bill but who could not get any time. I am not criticizing the committee. It is impossible for every Member to get the necessary time to address the House; however, I prepared this article for a 15-minute speech, and since I could not get the floor, I am placing it in the RECORD under the privilege granted for extension of remarks.

Dear reader, whether you agree with me or not, I am right in my contentions, and I reassert my determination to fight the money moguls who have bled white the great middle class of this country. They cannot continue to take their pound of flesh from the quivering bodies of innocent children and helpless widows and orphans, along with the burdened taxpayers of this Nation, without receiving my condemnation. I here and now turn my every ounce of energy and strength in the direction of fighting this crowd of money sharks, thieves, and rogues in a redoubled effort. They made their millions during and after the World War, when millionaires sprung up as fast as mushrooms, and so far as I am concerned, I will train my guns in the direction to force them to pay their share of the cost of government whether I am in Congress or out of Congress. I am fighting for a principle and not for popularity. I am concerned more for the manhood of our country than for the money of it, and am placing my patriotism first and not politics. I am fighting for a square deal as well as a new deal. I am perfectly willing to leave it to the taxpayers and the unemployed of the Nation to say whether or not I have offered the proper plans. It is true, I have constructively criticized the bill, but, in my humble judgment, I have offered a wiser, safer, and saner method for solving this stupendous unemployment problem than the plan incorporated in this bill.

It is not always popular to say the right thing, nor is it always right to say the popular thing, but whether popular or unpopular, and irrespective of who agrees or disagrees, my convictions are honest and my conscience is clear and I am confident that time will acclaim my statements as words of wisdom and warning.

Mr. YOUNG. Mr. Speaker, Members of the House, we are voting for or against a measure providing, as the title indicates, for industrial recovery. I support this measure. Three billion three hundred million dollars is to be provided for public works and economic recovery. This bill, after it has been enacted into law, will provide employment for 4,000,000 men.

Involuntary unemployment is a great moral wrong. It is wrong to deny to men and women the right to be gainfully employed. Our American civilization stands indicted because millions of worthy and industrious men and women are unemployed and children are underfed.

I served as a member of the Ohio Commission on Unemployment Insurance, under appointment by the Governor of Ohio. As a member of this commission, I spent considerable time attending hearings and in research work. I helped draft the measure providing for unemployment insurance that was introduced in the Ohio Senate early this year. We learned in our investigation that the unemployed, when their savings were gone, had but one recourse—charity. Men and women deserve the opportunity to be gainfully employed. We should provide work, not charity. Industrious men and women are entitled to economic security.

The enemy of the American people is unemployment, nakedness, hunger, cold, despair!

Our forefathers wished this to be a land of equal opportunity. They decreed, "All men are created free and equal." That was not so then. It is less so now. We should make those words the expression of a living truth. With the dark shadow of dire want, great suffering, and sharp tragedy on our land, we proclaim that our Government, which floated in time of war, for purposes of destruction, more than $21,000,000,000 of bonds, must take direct action now in a time of dire emergency, to relieve an unparalleled condition of unemployment and distress.

In addition to a vast public-works program, this measure provides generally for industrial control.

At the other end of the Capitol J. P. Morgan admitted on oath that he and other high officials of his company had paid no income taxes to our Government during the past 2 years. This is outrageous. Nothing has occurred recently to shake the confidence of our people in their institutions as the knowledge that J. P. Morgan and his partners, multimillionaires all, are escaping their share of the cost of government. Fortunately this bill provides that all net losses, including capital loss, shall be applied against income in the taxable year in which they occur. J. P. Morgan and other pirates of pillage and Wall Street profiteers will not in the future have the means to rent three floors of Washington's most exclusive hotel and maintain themselves as multimillionaires and at the same time evade payment of income taxes to their Government.

I regret that this measure, while it increases the income taxes of all individuals earning four to six thousand dollars a year and further reduces our salaries by doubling the income taxes Members of Congress must pay, does not greatly increase the income taxes of the man who receives fifty to one hundred thousand dollars and more each year. We should restore and increase surtaxes against great incomes. We would thereby take unjust tax burdens from the ordinary man. In addition to heavy taxes against large incomes, we should provide increased inheritance taxes against wealth possessed by those who did not earn it but were born to it. Call this "soaking the rich" if you like. The fact is there must be a better distribution of the wealth of this country in the interest of the common man—recently referred to as the "forgotten man." Concentration of great wealth in the hands of a few has made a mockery of our boasted democracy. It was a major cause of the depression.

I regret, also, that this bill provides for a temporary increase in the gasoline tax by three quarters of a cent. This is wrong. I fear that this tax will be passed on to the automobilist, and, in fact, that he will be compelled to pay 1 cent in addition for gasoline and the producer pocket the one quarter of a cent. Fortunately, however, by amendment, the Power Trust, the producer of electrical energy, is forced to bear the 3-percent tax instead of the consumer. This rights a wrong perpetrated by the last Congress. The motorist who is temporarily oppressed by this increased gasoline tax should know that $400,000,000 of the money raised by this bond issue will finance improved public highways, and he will be the beneficiary of that. President Roosevelt has declared that as soon as the prohibition amendment is repealed these new taxes made necessary to float a bond issue of $3,300,000,000 will be repealed. I have for years been advocating the repeal of the eighteenth amendment. We should have temperance instead of prohibition. The Government should profit instead of the racketeer—profiteer. We should put America to work. I am happy to predict that I regard repeal of the Eighteenth Amendment as certain within the next 8 months. This will give additional employment to many men and provide an electrical thrill and stimulus to some 60 allied industries.

The President has been a great leader in the movement to provide employment for unemployed men and women of this country and food for underfed children. This measure is, in fact, the keystone of President Roosevelt's entire reconstruction program. It will definitely put an end to this depression, which was originally avoidable, then terminable, but which had been, by the ineptitude of Mr. Hoover's administration and his failure to lead this great Nation in a crisis, permitted to become a national calamity.

The condition of distress and suffering has been without parallel in this country. The patience of men and women who walked city streets jobless has been remarkable. Millions of deserving men and women, the finest people in America, will not rid themselves of the chill and humiliation of this depression for a generation. We, by this measure, substitute work for charity. We are placing human rights above property rights. On public works a provision is made for 30 hours of labor a week, and preference is given, I am glad to say, to ex-service men with dependents.

Corporate dividends are taxed under the provisions of this bill. This is proper. I am glad that the former exemption has been repealed. This will add a substantial tax where it properly should go, upon the wealth of this country. Taxes should be based on ability to pay. This tax on corporate dividends will produce, it is estimated, $83,000,000 a year. The gasoline tax, which is a nuisance and to which I object, will bring in $92,000,000, and the income-tax increase, to which I object as it applies to the man receiving four to six thousand dollars, will bring in nearly $50,000,000 additional.

I voted against the rule prohibiting amendments to this bill. I had hoped to offer an amendment increasing the taxes against the higher brackets and decreasing the income taxes as applied to people of moderate means. I wanted to vote for the elimination of the increased gasoline tax. No amendments were permitted.

As to the sales tax my duty was clear. I voted against it. A sales tax is the most atrocious sort of tax. It bears down hardest on the poor. It was one of the causes of the French Revolution. I am happy that the Congress voted down this form of taxation by an overwhelming margin.

William Green, president of the American Federation of Labor, a leading opponent of the sales tax, stated:

> This bill is so important to the economic welfare of this country that I would agree to any kind of a tax, including a sales tax, but give the people of this country this bill.

Thoughtful arguments have been made against the constitutionality of this measure. I have listened with great interest. Let me say that we should immediately enact this measure into law and then let the courts determine whether they are adhering to a Constitution flexible and suitable to the economic needs of 1933 or a Constitution of 1787, framed for a Nation of frontier farmers and hunters, with a few merchantmen in the seaports. If George Washington and Thomas Jefferson could arise from their graves, they would not know this country. We live in a different world, yet we are wearing the same political cloak made in 1787. At that time there was no machinery, no manufacturing to speak of, no railroads, no rapid transportation by air, sea, or land, no telegraph, no radio.

The makers of the Constitution legislated for 1787 and a decade or so thereafter. They legislated for 13 orphan States. They did not legislate for all time. The courts of our country have, from time to time, by their decisions, recognized the changes time has wrought. I hope that this

emergency and the demands of the times will meet response in the minds of the courts of this land.

Business activity in the country is increasing. The questions heard everywhere are: Will it last? Are we really on the way? The answer, in my opinion, will be made by this Congress. Enactment of the industrial recovery bill will bring a new and better day to America. Let us not hesitate. Our duty is clear. We must not postpone the hope of our fellow men and women who are unemployed, nor continue the hunger of little children who are underfed.

Mr. LUDLOW. Mr. Speaker, at the outset of my remarks I want to pay a tribute to President Franklin D. Roosevelt. He has already written his name high on the tablets of history as one of our greatest Presidents. If he never does another thing, that will be the verdict of posterity. Such being the high esteem in which America and the world hold him, after his brief introductory in the White House, what may we not expect from 4 years—or probably 8—of such constructive services as he has rendered since he became President less than 3 short months ago? He has charmed the whole world, and, I may say, he has almost taken away the breath of the nations by the swiftness and directness of his actions in meeting the economic crisis in America and in extending the principles of peace and humanity throughout the world. America has had a good many "live wire" Presidents, but never was there one in the White House who was more live, more inspired by a desire to do great and worthy things, or more consecrated to the service of humanity than the present occupant.

He is as human as Abraham Lincoln, and that is one reason why he is so universally beloved. In one of his recent radio addresses—all his radio addresses are admirable for simplicity of language and clear, cogent reasoning—he modestly disclaimed any of the attributes of a superman and admitted that he must inevitably make mistakes, citing Theodore Roosevelt as authority that if a President manages to be right 75 percent of the time, he ought to be satisfied.

My own impression as an observer and follower of Franklin D. Roosevelt is that he is right much oftener than 75 percent of the time. I think his "batting average" is almost 99 percent or, say, 95 percent, at least. As a believer in the rightfulness of his intentions and the soundness and efficacy of his proposals, it has been my privilege to support him consistently. I voted to give him the broadest powers to consolidate the Government and to eliminate waste and extravagance. I endorsed his handling of the banking situation, which, I think, was the cleverest piece of executive management I have ever known. I went with him through the Garden of Gethsemane when I voted for his economy bill. That bill almost rent my heart in two when I thought of the veterans and the Government employees who would be adversely affected by it; but because the President, speaking for the whole Nation, asked us to pass that bill to save America from financial collapse and anarchy, I unhesitatingly placed myself on his side, believing that an "aye" vote was best for all our people, veterans and nonveterans alike, and for the limitless procession of posterity. I echo a thought that is widely prevalent throughout the world today when I thank God for this splendid man and for the promise held forth in his "new deal." Millions upon millions of disconsolate and sorely laden human beings, groping along the dimly starlit paths that lead to nowhere, their hopes shattered and their spirits drenched with doubt and despair, are receiving the inspiration of renewed faith when they turn their eyes toward the present occupant of the White House at Washington. In the exuberance of their newfound confidence they hail him as deliverer. He is the rising sun, whose effulgence overflows the world.

Though I may not agree with him on every detail of his program, I am whole-heartedly with him in his main purpose. My reading of history teaches me that back of the shadows of every supreme crisis moves a ruling Providence and that in God's appointed time some great soul always emerges to save the situation, as Washington saved America by the sword and Jefferson saved for all posterity the inestimable franchise of freedom and as Lincoln saved the Union which the genius of Washington and Jefferson and their compatriots had welded into the most perfect form of government ever known to man. All the present signs and indications justify the belief that history is repeating itself and that providential vision has placed in the White House another great soul who is leading us out of the lowlands and on to the heights.

I verily believe that the President, by his matchless courage and sound proposals, in less than 3 months after taking the oath of office, already has whipped the depression in America. This is indicated by rising price levels, by orders for goods, by factory employees returning to the machine shops and forges, and even more by a tone of encouragement and cheer that is becoming manifest throughout the land.

Let us construe all of these harbingers favorably as they are entitled to be construed. Let us have faith in the future; and, having faith in the future, let us not jeopardize the victory already at hand by piling up a bond issue of $3,300,000,000 for public works which, while perhaps desirable, are not absolutely needed. The depression is whipped by that part of the President's wonderful program that already has been adopted, but it may not stay whipped if we pile up a vast additional bonded debt—almost as great a debt as was required to finance the entire Civil War—and by so doing not only fasten on the American people the largest national indebtedness in all our history but also an annual recurring interest charge of $220,000,000 which must be met by imposing additional taxes. We have all heard of the lawyer who, after winning his case, went ahead with another speech and lost it.

The President's program up to this hour has planted the seeds of recovery in this Republic. If Congress were to adjourn right now and nature were allowed to take her course, I believe the factories would begin to hum and the natural law which governs the necessities of men, the law of supply and demand, would begin to absorb the unemployed back into employment, and in reasonable time prosperity would come from her place of hiding "around the corner" and take her place in our midst, and there would be no need of an enormous public-works program at the expense of the taxpayers, because people would be employed in a normal way to meet normal demands.

It is as true now as it ever has been that we cannot spend ourselves into a condition of prosperity. To balance the Budget one day and then turn around and launch a program of expenditures vaster than ever was known to mortal man is to my mind economically unsound. It means that we are incurring another great tax burden which must be met by additional taxes, not only this year and next year but every year throughout the years to come, until the bonded debt is paid. I fear that increased taxes at this time would not only impose excessive burdens on a country already staggering under an enormous load of debt but they would further reduce the purchasing power of the masses, dry up the capital so much needed for productive enterprise, and so hamper industry and retard return of prosperity. My attitude toward this measure is consistent with the honest convictions of a lifetime.

I have always voted against bills such as this one, believing them to be economically unsound and ineffective as unemployment-relief measures. I opposed Speaker Garner's great billion-dollar public-building program in the Seventy-second Congress and I voted against it, although I had, and still have, a most affectionate regard for its author; and in the same Congress I opposed and voted against a bill appropriating $130,000,000 for hard-surfaced roads, which was brought forward as a bill to relieve unemployment. The vice of all such measures is that they do not relieve unemployment in any degree commensurate with the great fixed burden they fasten on the taxpayers. Contractors, machinery manufacturers, material men, various groups of middlemen get too much of the money that should go to relieve unemployment, and I am not going to vote one week for the drastic economy bill and the next week take the savings from the veterans and turn those savings over to middlemen who

have less need of assistance than the veterans. The delay in putting a gigantic public-works program in operation is another factor to be considered. Experience has shown that considerable time is required to get public works under way and that the amount of employment they provide is always disappointing. Vast sums of borrowed money are spent without changing in any way the nature of the basic unemployment difficulties that must ultimately be overcome. Such projects necessarily develop slowly, and it will be a long time, perhaps a year or longer, before many men can be employed; and all the testimony of the most enthusiastic advocates of the plan shows that the entire sum of $3,300,000,000 will at the very utmost employ not over 2,000,000 or 3,000,000 men, leaving about 12,000,000 or 13,000,000 of America's unemployed still without work. It was brought out in the debates at a former session of Congress that it requires $3,600 of appropriation to provide one man with work on Federal-aid highways for 1 year; it requires $4,700 on rivers and harbors, and $5,600 on Treasury and post-office buildings.

That being the case, if the entire appropriation of $3,300,000,000 were spent in constructing public buildings, it would employ only 600,000 men for 1 year, which is a mere drop in the bucket, compared with the total unemployment. There would be considerable delay in employing 100,000. This bill would bring very little relief to the unemployed of the congressional district which I represent and to the State which I in part represent, but it would add heavily to the burden of our taxpayers and would discourage and dishearten our business men who are anxious, above all things, that the Budget shall be balanced and shall be kept balanced and that debt and taxes shall be held to the minimum so that business may be kept free from worry and may be provided with adequate working capital. Furthermore, when the projects for which this $3,300,000,000 is to be appropriated are completed, the work will cease, but the interest charge of $220,000,000, like the running brook, will go on forever. What will happen then? Shall we then appropriate another $3,300,000,000 and raise taxes again and by this futile process persist in believing that Uncle Sam can lift himself out of the economic mire by his boot straps?

It would be far better, in my opinion, if Congress would drop this bill, adjourn, and go home today and permit the natural processes of economic recovery to get into operation. I think that under the wise proposals of President Roosevelt, already enacted into statutes, business would soon begin to boom and there would be work for every honest man. If we enormously augment our bonded debt, raise taxes, and increase our fixed charges, we will be just that much farther away from the sound principles of a balanced Budget and minimized taxes which are so essential to the Nation's economic welfare.

I am sick and tired of taxes. The country is sick and tired of taxes. What the country needs is not more debt but less debt; not more taxes but less taxes.

Speaking as one Member of Congress, I have declared a moratorium on tax increases. The Lord helping me, I will not vote for any increase of taxes and I will not vote to pile another mountain of bonded debt on our people, because, as I see it, that will merely serve to prolong economic bondage and economic slavery in this country. Every time I have an opportunity I will vote to reduce the debt burden and the tax burden, but I will not vote to increase it.

Every day I have been a Member of this Congress I have had before me a vision of the economic slavery and distress created throughout the land by vast expenditures of the public moneys, with resultant effects in the form of confiscatory tax rates and a harvest of discouragements and woes that has plunged millions into distress and has caused many a man known for constancy and bravery to lose his nerve and face suicide rather than continue the unequal battle against depression, unemployment, and debts. Every day I have sent up a prayer to heaven to help me to stick on the economy wagon.

The good Lord must have heard me, for I am still on the economy wagon and I will be on it after this bill is passed. I started my congressional career on a straight-out program of economy and I am going to stick to it.

Mr. ZIONCHECK. Mr. Speaker, I make this extension of remarks for the purpose of clearly stating my position to my constitutents upon this all-important measure.

In the first place, I want to state that I worked and voted against the previous question on the gag rule, in order that the rule under which this measure was presented might be amended, and then voted against the gag rule itself, which did not permit any Member other than a member of the Committee on Ways and Means to offer an amendment or even an amendment to an amendment. Having done this, I do not feel that my affirmative vote on the final passage of this bill in any manner approves of many features which I consider obnoxious.

In the second place, I am of the opinion that $3,300,000,000 for a public-works program at this time is absolutely inadequate, although this sum might have been sufficient a year ago. At this time there is even a serious question whether a $6,000,000,000 public-works program would adequately supply employment for the majority of the unemployed.

I was disappointed to hear the Director of the Budget in his testimony before the Ways and Means Committee state that the manner in which they arrived at the sum of $3,300,000,000 was not on the basis of the amount of employment it would furnish but upon the basis of what the administration considered the amount necessary for the construction of useful and, to a large extent, self-liquidating public-works projects. The human rights seem to have been ignored in favor of property rights.

Another feature of this bill which is abhorrent to me is that it provides for the issuance of over $3,000,000,000 of tax-exempt securities, interest-bearing, just as they have always been. Some of us tried in every way possible to get the Ways and Means Committee to recommend the financing of this public-works project by way of Treasury notes authorized in the inflation bill. In our opinion, that was the only type of inflation which could really be justified at this time, in that it was inflation at the bottom, creating employment and consumers' purchasing power, and not at the top, as most inflation usually goes, for the protection and preservation of distressed bankers and money changers.

Being unable to invoke such inflation, the next question was that of the type of taxation which would be necessary to raise the revenue for the $220,000,000 annual interest payment and amortization. Again we worked and tried to persuade the responsible parties to adopt a system of taxation upon the issuance of Federal Reserve notes and Federal Reserve bank notes by our glorified bank for the private bankers, known as "the Federal Reserve System." We pointed out that they have a surplus today amounting to $280,000,000, and that a very nominal tax of one fourth of 1 percent upon the currency they issue to their members would bring in a revenue to the Government amounting to approximately two hundred to three hundred million dollars annually, but, as logical as this seems, it was not adopted.

A 50-percent increase on income taxes in the lowest bracket I think is basically and fundamentally wrong, particularly in view of the fact that the incomes in the higher brackets are treated ever so much more gently, and it is the hope of many of us that the Senate will rectify this wrong, and we have ample assurance that it will do so.

A further feature of this bill which I do not approve of is the three-fourths cent increase in the gasoline tax. In the State of Washington the tax already amounts to 6 cents per gallon, which in the minds of reasonable people is already exorbitant, particularly in view of the fact that there are so many other sources of what might be termed "untapped tax possibilities", particularly tax-exempt bonds.

The industrial control feature of this bill, which to a large extent modifies the antitrust laws, is to my mind an experiment of vast proportions and as a Member of Congress I do not feel as though I could vote against any measure that the President proposes during this emergency program upon which I have no definite campaign commitments to the contrary. It is my sincere hope that the

administration will be able to successfully work out a planned economy with the hope uppermost in my mind that this planned integrated economy looks primarily to the consumer and only upon the producer as one who creates the things which the consumer wants and desires. There is no question among the more informed minds that the artificial increase in commodity prices today presents a grave danger, due to the fact that consumption has decreased rather than increased, and it is the hope of most of us that this psychological upturn does not get away from itself and bring another relapse which would undoubtedly be disastrous. We are headed in the right direction, providing we do not ignore basic economics on the way.

Although I voted against the committee amendment changing the apportionment of road funds to 50 percent to States by way of population, there is no doubt in my mind but what the Senate will right this wrong, due to the fact that more than 30 of our 48 States, as the bill now stands, stand to lose huge sums from the road funds, our State of Washington losing approximately $328,000. This amendment was adopted by sheer force of numbers by the representatives of the more densely populated sections, and mathematically they have no such power in the Senate, which has two Senators from each and every State.

Mr. LEMKE. Mr. Speaker, with that part of the bill relating to industrial recovery and with that part relating to public works I am in full and complete accord. A national emergency exists. Something besides drifting must be done, not only as a decent and humane act but as a necessary, intelligent, and constructive act to save this Nation, including its Constitution. No nation, even with a constitution, can long exist when millions of its best citizens are out of employment and hungry. These starving millions are interested in getting employment and something to eat. They do not give a continental about a constitution that fails in the midst of plenty to provide the necessities of life.

The progressives in this House do not agree with the conservatives that there is something in our Constitution that denies the people the right of self-preservation—the first and fundamental law of nature. It has been the do-nothing policy—the drifting policy of the past administration—that has made the laws, that my conservative colleagues and friends now so strenuously object to, absolutely essential and necessary. Their going and arriving nowhere—their standpatism—gave us the "new deal."

We are told that this bill is dangerous. Eloquently and sincerely, it is argued that this bill creates a dictatorship and that it is therefore unconstitutional. My conservative colleagues and friends forget that the Constitution is elastic; that it has been stretched until all its ribs have been cracked and that it can stand considerable additional stretching. They fail to comprehend that all civilization is in a transition; that we are going from the old to a new civilization. They forget that there is nothing in our Constitution that hampers and prevents progress.

While our Constitution is a masterpiece of fundamental legislation, yet there is nothing sacred about it. It was framed by our Revolutionary forefathers—the pioneers of America—able, intelligent, honorable men who had no intention to legislate for all the future of the Nation. They provided for a method by which the Constitution could be amended. The framers of our Constitution realized that nothing was permanent but change, that the Nation would grow, therefore they limited the Constitution to general principles of government. They had no intention of putting hobble skirts on Congress and hindering progress.

The wisdom of the framers of our Constitution, in limiting the Constitution to fundamental principles of government, is clearly shown when we realize that they lived in a different age, that they never talked over a telephone, never saw a steamboat, never rode in a train or an automobile, never thought of an airplane, and never listened to a radio, nor even dreamed of such things. Their wisdom was shown when they made the Constitution elastic—a Constitution that had within it the possibilities of the future development and growth of the Nation and its people.

Nothing is permanent but change. From our Government's early democratic beginning it gradually passed into the dictatorship of the international bankers, the tax dodgers, the corrupters of public morals, the House of Morgan, the "Greeks bearing gifts." Under and by virtue of the Constitution we are now engaged in passing the power of Government from Wall Street to the White House, to the Government of the United States under the leadership of Franklin D. Roosevelt, and from there back to the people through an intelligent and enlightened public opinion.

We are confident that the Supreme Court will hold this legislation constitutional. This is the clear mandate given to the Court by the Preamble of the Constitution:

> We the people of the United States, in order to form a more perfect union, establish justice, insure domestic transquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

Surely the Court will follow that mandate. We confidently entrust the constitutional question to our Supreme Court under that preamble.

While I voted for this bill under the gag rule, that gave no opportunity for amendment, I am not satisfied with all of its provisions. I am not satisfied with that part of the bill which provides for the issuing of $3,300,000,000 tax-exempt interest-bearing bonds. In place of these bonds we should have insisted that the President issue the $3,000,000,000 new currency authorized in the inflation bill. This new currency should be issued to finance the public works provided for in this bill. We cannot get out of this depression by going further in debt, by issuing more tax-exempt, interest-bearing bonds. We have gone altogether too far in that direction in this Congress. If nothing else, let us at least authorize the President to use the $2,000,000,000 Federal Reserve bank notes that are already printed and ready for delivery in the Bureau of Engraving. The banks do not want them; why not use them to finance public works?

Neither am I satisfied with the revenue provisions. The tax provisions of this bill were written by the Budget Director, Lewis Douglas, who cut the heart out of the disabled veterans' compensation and crucified his comrades in order to become a coupon clippers' hero, and who is now attempting to place the burden of the unemployed upon the people with small incomes. Let us hope that the Senate will amend this bill in accordance with the above suggestions. That will lighten the tax burden and will expand the currency at the bottom, where it ought to be expanded.

Let me repeat that nearly all the legislation that we have passed during this special session of Congress became possible, and even necessary, because of the aimless drifting, and going nowhere, of the past administration. The standpatters had abused the public's patience altogether too long. The necessity of this bill, and of others, could have been avoided if, when this special session convened, we had passed the Frazier bill refinancing farm indebtedness and the Patman bill paying the soldiers in cash, not by issuing bonds but by issuing currency. This would have expanded the currency where it ought to be expanded and the depression would have ended.

In conclusion, I readily concede that most of the legislation passed during this session of Congress will not have the desired, or hoped-for result. It will not end the depression. There must be a real and an intelligent expansion of the currency.

The Frazier bill provides for such an expansion. A petition to bring the bill onto the floor of the House is now on the Speaker's desk. Twenty State legislatures have petitioned Congress to pass this bill. They are: Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Wisconsin. May I take this occasion to ask my colleagues and friends from the above States to go to the Speaker's desk and sign that petition. May I ask them to take heed of the mandate that their State legislatures gave them.

Mr. AYERS of Montana. Mr. Speaker, of course every Member is anxious to do everything possible to speedily effect national industrial recovery, and each Member can see great benefits to be derived from this vast sum of $3,300,000,000 to be expended in the erection and construction of useful and permanent public works; however, it is impossible to appropriate any such sum of money from an already depleted Treasury, and if and when bonds and securities are issued and sold, as provided in this bill, then the question occurs, How is the still depleted Treasury going to pay the interest on this vast sum of money?

We had been advised that this was an administration bill, and that it was in pursuance of the President's message, and that it was a part of his program, and that it would effect national industrial recovery. Now I am for this bill if ways and means can be worked out to raise the $227,000,000 per year necessary to pay the interest and amortization charge on the $3,300,000,000 which is to be used to encourage national industrial recovery. But I am not willing to vote for this bill if the raising of the interest and amortization money is to cast an unjust additional load upon the so-called "little man", as is now proposed by this bill.

Many of the ways and means, as set out in this bill, to raise this interest money and the amortization charge, run absolutely contrary to State campaign pledges of many of the majority Members of this House, and absolutely contrary to State platforms upon which they were elected, and also, as in my instance, contrary to State legislative resolutions and memorials, and, Mr. Speaker, it is contrary to section 2 of the national platform upon which every one of the majority Members of this House were elected.

According to this bill as it is now before us, the program of raising the interest and carrying charge is decidedly unilateral. It places all of the burden upon the consumer and the small taxpayer, and it exempts the large taxpayer and the rich man. In that respect it is in violation of paragraph 2 of the National Democratic platform of 1932, which provides:

> We advocate: Maintenance of the national credit by a Federal Budget annually balanced on the basis of accurate executive estimates within revenues, raised by a system of taxation levied on the principle of ability to pay.

As this bill is now before the House I am in accord with it except for the way it proposes to finance the appropriations. There are many outstanding and legitimate reasons why I must oppose that feature.

First, this bill seeks to increase the income tax by 50 percent on the individual having an income of $6,000 or less; then it abruptly starts to graduate downward so that the individual with an income of $30,000 is increased by only 15 percent; the person with an income of $50,000 is increased by 11 percent; the person with an income of $100,000 is increased by 6 percent, and the person with an income of $200,000 is increased by only 4½ percent, and the person with an income of a million dollars or more is increased by only 3½ percent.

The persons from whom the greater portion of the money is expected to be raised by amendment of the income-tax law are the butchers, the bakers, the small merchants, the average professional man, the men and women of small salaries; in fact, all those with small incomes and small salaries. The man drawing a salary of not to exceed $6,000 is loaded with a 50-percent increase, while the man on a $30,000 salary is increased by only 15 percent, and the one drawing $50,000 is increased by only 11 percent, and the one with a $100,000 salary by only 6 percent. I ask you fairly and candidly, are those increases based on ability to pay?

Is it fair to increase the Government burden of the men in the lower brackets by 50 percent and then graduate those in the upper brackets down to only 3½ percent? Is it fair to collect the major portion of these increases from those least able to pay? Is it fair to grant this class of favors to those able to pay and at the same time put this additional burden on the so-called "little man", who, with his wife, is striving to properly educate their children—the man who in fact deprives himself and wife of all luxuries of life and gets his only enjoyment in using his entire income in the maintenance of his family and the education of his children?

Is that in accord with the Democratic plaform to raise revenues by a system of taxation levied on the principle of ability to pay? Is there a man here who can vote for this provision and then excuse himself to his constitutents? Well, I will never be called upon to make any such excuse, for I will never vote exempting those in the upper brackets and at the same time put additional burdens on those in the lower.

Instead of relieving those in the upper brackets from further governmental responsibility I would strengthen the law to see that they paid their just share for the support of their Government. The investigation that is now going on in the other end of the Capitol has developed that J. P. Morgan, probably the richest individual in all of America, has escaped taxes for the past 3 years, during all of which time his manipulations to do so have been well known to the Treasury Department of this Government and its Internal Revenue branch, yet they have never brought that to the attention of this Congress, so that the holes in the law through which he has been crawling could be plugged and he be forced to equitably contribute to the support of his Government. But we are not surprised at that, since Mellon and Mills, the two Secretaries of the Treasury under whose administration he has been doing these things, both received from the Treasury they were sworn to guard, unjust refunds to the extent of millions of dollars each. Now that these things have come to light it is high time that Congress corrected these mistakes in the law and in procedure so that the millionaires will be compelled to pay their just taxes in support of their Government, and further, we must see that when they have once paid their just share, it stays paid.

The second reason that this bill is objectionable is that it is increasing the Government excise tax on gasoline by 75 percent. This is inexcusable. It is a sales tax already preempted by the States and already overworked by the Government. It is putting the burden upon the consumer and not upon the producer. Again this bill hits the "little fellow" and exempts the Rockefellers. Ninety percent of the agricultural products of this country today are produced by gasoline power instead of horse power, as in former years. Gasoline and the motor vehicle are as much a necessity today as the horse and buggy and the wagon and team were 30 years ago. Every State in the Union now has a gasoline tax, ranging from 2 to 7 cents per gallon, and already the Government has a 1-cent tax on every gallon of gasoline sold in this country. Further pyramiding of such tax is absolutely against the code of fair practice. Bear in mind the oil industry does not share any of the burden of these gasoline taxes. They are all paid by the consumer. My State has a 5-cent gasoline tax, and that, with the present 1-cent Government tax, makes a burden which has reached its limit. We cannot stand this proposed increase.

The people of my State in March of this year spoke to me through their legislature, which unanimously passed a memorial asking Congress not only not to increase the excise tax on gasoline but to reduce the present tax. They are the people whom I represent, and it is from them I take instruction and not from those representing the interests desiring special favors, benefits, immunities, and subsidies.

My third objection to the bill as it now stands is the allotment of the $400,000,000 road money. By the law we have long been operating under, Federal road money has been allotted to the States on the basis of one third for population, one third on area, and one third on road mileage. That basis is equitable. This bill now provides the allotment of one fourth on mileage, one fourth on area, and one half on population. This unjustly affects 30 of the 48 States, and it affects them to the tune of $20,400,000, all of which is done to the benefit, in that same sum of additional money, to 17 other States, leaving only 1 State in its normal condition.

My own State is the heaviest loser of all, with a loss of $1,668,000. New York under this amendment gains most with an additional $5,200,000. Pennsylvania comes next with a gain of $3,860,000, and Massachusetts third with a gain of $2,000,000. Even Rhode Island, not as large as the smallest county in my district, has a gain of $60,000, and this notwithstanding the fact that Rhode Island, except that part which is covered with water, is practically blanketed with pavement.

The following table, which I ask leave to insert, gives in round numbers the loss or gain of each State:

State	Amount gained	Amount lost
Arkansas		$236,000
Alabama	$28,000	
Arizona		1,102,000
California	736,000	
Colorado		1,000,000
Connecticut	940,000	
Delaware		300,000
Florida		160,000
Georgia		216,000
Idaho		884,000
Illinois	2,000,000	
Indiana	128,000	
Iowa		628,000
Kansas		1,200,000
Kentucky	61,000	
Louisiana		260,000
Maine		240,000
Maryland	480,000	
Massachusetts	2,000,000	
Michigan	800,000	
Minnesota		720,000
Mississippi		164,000
Missouri		170,000
Montana		1,668,000
Nebraska		1,000,000
Nevada		1,240,000
New Hampshire		160,000
New Jersey	1,908,000	
New Mexico		1,292,000
New York	5,200,000	
North Carolina	180,000	
North Dakota		1,066,000
Ohio	1,280,000	
Oklahoma		456,000
Oregon		892,000
Pennsylvania	3,860,000	
Rhode Island	60,000	
South Carolina	(1)	
South Dakota		1,120,000
Tennessee		80,000
Texas		1,640,000
Utah		788,000
Vermont		208,000
Virginia	92,000	
Washington		328,000
West Virginia	304,000	
Wisconsin		96,000
Wyoming		1,100,000

[1] Practically even.

This is an admitted and deliberate change of the law allotting Federal money for roads to the States in order to help the States of dense population. It is being done under the claim that there is more unemployment and distress in the thickly populated centers, but in making that claim let us be mindful that these thickly populated centers already have the greatest network of paved roads in all the world, and again let us be mindful that under the other provisions of this bill for public works these thickly populated centers are receiving vast benefits based on the theory of population.

It has been suggested to me that since I am in favor of the national industrial recovery principles of the bill that I should vote for it and take a chance that the Senate would correct the provisions on financing it. But I am not here to gamble that the Senate will correct my errors. The people of my district sent me here to vote my own convictions and primarily to represent them. My district is made up largely of those classes which have been most oppressed during this panic. They are of the classes that the financing program of this bill hits the hardest. It has been suggested to me that my duty in Congress is to represent all of the people and all of the concerns of this Nation, but I interpret my duty to be that I must first and primarily represent my own district, its people, and its industries. My brief experience here has brought me to the solemn belief that it is impossible to represent all of the people all of the time. One cannot at the same time represent the oppressed and the oppressor, the robbed and the robber, the poor and the rich. It cannot be done. Under our system their positions are different because of the absolute conflict of interest.

I took the position in the campaign that we had had too much congressional representation of the big bankers, of the power companies, of the public-service companies, of the railroads, of the insurance companies, and of the richer class in general. I believe that they should all have a fair deal, but I do not believe they should have the special privileges that are written for them in this bill. My vote for this bill as it now stands would be a vote for them and a vote against the small business man, the professional man, the farmer, the rancher, the person generally of smaller means. The national industrial recovery program of this bill can be financed without penalizing them, and it should be so financed.

Instead of increasing the income tax on the small taxpayer by 50 percent and graduating it down to an increase of only 3½ percent on the millionaire, let us put the monkey wrench on this provision and turn it square around, and let us correct the defects of the income-tax law and particularly those defects which have come to light by the Morgan investigation, and let us place a tax upon the income from tax-exempt securities and let us make public records of income-tax returns. These things would pay the interest and the carrying charge of the money proposed to be used for national industrial recovery.

One of the greatest plugs that could be driven into the hole of the income-tax law through which men, who should be in the upper brackets, escape, would be to make all income-tax returns open public records subject to examination and inspection by any other taxpayer. This would do more to force honest returns than any other present suggestion.

There is no legitimate reason why these income-tax returns should be secret. All property-tax returns throughout the United States are matters of public record. Income-tax returns are the only secret returns that I know of. I do not understand why the income-tax returns should be shrouded in secrecy while the property-tax returns are open public records. No man should be ashamed of his honest and legitimate income. I believe that the opposition to making the income-tax returns a public record comes from those whose income is either not altogether legitimate or from those who desire to juggle figures and to escape through holes which they have discovered to exist in the income-tax law.

If publicity were given income-tax returns, I feel certain that it would put an end to the juggling which goes on by individuals and concerns on the last day of one taxpaying year and the first day of the next. I am sure it would eliminate the system of selling large volumes of capital stock on the last day of a tax-paying year at a great paper loss—which sales are made to the wives, relatives, and confidential friends of the stockholder—and then on the first days of the next year these stocks are transferred back to the original holder at a large price so that he can again at the end of that year make another fake sale at another great paper loss, thus evading the law from year to year. That is one of the holes in the income tax law that would be plugged by publicity of the returns.

Another thing that would be corrected by making the income-tax returns a public record is the present salary and pension system that is going on with the large banks and the large railroad companies and other large corporate concerns. Hundred-thousand-dollar salaries and hundred-thousand-dollar pensions to retired directors and retired officers would cease. This would help in two ways: It would increase the tax to be paid by the concern, and it would leave more money in the treasury of the concern to be distributed to the unsuspecting stockholder as a dividend.

That the income tax may be extended to the income from tax-exempt securities to me seems perfectly clear, notwithstanding the argument is made that such inclusion would be unconstitutional. We get our authority for the present income tax law from the sixteenth amendment to the Na-

tional Constitution, which is very short, plain, and inevasive, and since it contains only 30 words I shall quote it:

The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.

This amendment authorizes Congress "to lay and collect taxes on incomes, from whatever sources derived." Now, as a lawyer I would advise any client who came to me that the coupons on his Liberty bonds or on any other tax-exempt securities that he might have were subject to an income tax if Congress saw fit to levy one. In these times it seems only reasonable that such a tax be levied, and that it be an independent tax not to be charged against other losses.

The evidence taken before the Senate Committee on Banking and Currency, now investigating private banks, disclosed on the very first day of the hearing, last Tuesday, May 23, 1933, that the House of Morgan owned, on December 31, 1932, $224,580,150 worth of United States Government securities. Those securities alone carry quite an income, yet the evidence taken on the same day shows that neither the House of Morgan nor any of its members paid a tax for the year 1932.

The publicity which is being given income-tax returns made by men in high places by the Senate Banking and Currency Committee is in itself going to be a great benefit to the Treasury of this country. I predict that if Mr. Pecora is permitted to go on with his investigation many persons will soon be filing amended returns for past years, explaining that they had made mistakes and that they had taken deductions and set forth depreciations under erroneous advice or misapprehension of the law.

This proposition of sales by taxpayers to members of their own family and to close associates, and resales back to the taxpayer, at the close of one year and at the beginning of another at figures juggled to show great paper losses to the taxpayer, is a violation of the spirit, if not the letter, of the law.

The present system of ridiculous salaries to corporation officers and superridiculous pensions to retired officers of corporations would be greatly reduced if income-tax returns were public records.

Now, since this bill is considered in the House under a rule whereby no amendments can be offered except by the committee that reported it, I am constrained to vote against it, but I do hope that it will come back from the Senate with these objectionable features eliminated, and with amendments to finance the recovery plan of the bill by a system of taxation levied on the principle of ability to pay as proclaimed by the Democratic national platform. Then I shall vote for it.

Mr. HOEPPEL. Mr. Speaker, as no time was given me for discussion on this bill, I take this means of presenting my viewpoints on H.R. 5664, known as the "industrial recovery bill."

While I perhaps will vote for this measure, I recognize it as a veritable TNT bomb which may wreck the sinews of government unless honestly and fairly applied.

In this bill, we are acknowledging the bankruptcy of the United States, especially as it pertains to our industrial activities. We are authorizing a receivership in the hands of our President, in whom, I am sure, the majority of our people today have the utmost confidence, to which I also subscribe. However, as the administration of this bill is so vast, I am fearful whether or not he may not be surrounded with advisers whose theories and methods of application may not be in synchronism with his; and he cannot examine into the various details, a condition may arise where his best intentions may go awry.

We witnessed this in the Veterans' Administration, where an effort is now being made to ameliorate the iniquitous regulations which our President approved, trusting, as he did, implicitly in his advisers, who, in this instance, in my opinion, are incompetent, unfair, and more or less have placed themselves in the category of racketeers.

I propose to vote for this bill because it carries provisions which will put some of our unemployed to work, which to me is the most valid argument why I must swallow this sugar-coated pill weighted, as it is, in its interior with the bitterest quinine, in that it attacks the right of the individual to conduct his own business according to the dictates of his own conscience and his own desires, and, further, because it seems to me unconstitutional as well.

Personally I will sacrifice anything to bring a ray of sunshine and hope to our unemployed, and in accordance with this thought I swallow, quite reluctantly, the tax provisions of this bill as well.

The increased income tax for only those in the lower brackets, while those in the higher brackets are left untouched, is contrary to the principles of democracy and disproves the allegation that in this bill equal rights of all men are being considered.

The gasoline tax is also class legislation and ought not to be enacted.

While I have, in principle, been more or less opposed to the manufacturers' sales tax, I am inclined to favor a sales tax, provided it does not touch the necessities of life and the requirements of the common man along the lines of food, clothing, and medicine. I vision that a proper sales tax, touching upon the sales of every manufactured commodity and every transaction in government, especially stock transfers, bond transfers, and realty transfers will be a most progressive, far-reaching, and remunerative tax.

If, in addition to this, we will institute higher gift, estates, and inheritance taxes, our basic problems of taxation will be solved; and concretely speaking, under this procedure, taxation will be applied primarily to those who have and who can afford it rather than to those who have little and can ill afford it.

The Morgan exposé and the failure of this gentleman and others of his caliber to pay an income tax evinces the thought that if a proper manufacturers' sales tax, along the lines indicated before, is adopted, the income tax in itself can and should be repealed for the lower incomes and increased for the higher. Today, the income tax is merely an evasive tax, through which artful lawyers close their eyes to honest methods and protect their clients for a fee.

I have always abhored the income tax in its application to those in the lower brackets, since men today, with the most meager incomes, are taxed, regardless of the fact that perhaps in the year to come or succeeding years they may be deprived of any income.

If an income tax is to be maintained, the minimum should be placed much higher than under existing law and the tax should be greater on unearned income rather than on earned income.

Speaking in the interest of labor, and being fully cognizant of what happened in 1920 when the railroads were under Government control, I am apprehensive whether or not, under this bill, it may not be possible again for the administration virtually to conscript labor, as was done under the Wilson administration during the railroad strike of 1920, when railroad employees who struck for higher and livable wages compared with the high standards of living existing at that time were put in imprisonment because they dared to assert their individualistic rights to refuse to work for a remuneration not to their liking.

My only hope and the reason that I vote for this bill is that I have the best interests of the unemployed at heart and that I feel confident the President will exercise the powers granted him under this bill humanely, compassionately, and in justice, and my hope is that those who administer the law will be of a more fair-minded, intelligent, and considerate group than those who, in the administration of the veterans economy law, have brought upon the administration the onus of criticism and severe censure.

This bill fails to go far enough to satisfy me on the question of providing employment, and my sincere hope, which I express quite freely, is that the Members of this Congress, when they go home and contact their own constituents, will

see for themselves the inadequacy of this legislation, and that on their return in January, they will redouble their efforts to obtain sufficient funds in order to provide more adequately employment for our unfortunate and distressed unemployed. With this hope, I close my eyes and will vote to support this bill.

Mr. COCHRAN of Missouri. Mr. Speaker, the issue here is not political, or at least it should not be political; the question is: Do you want to continue to support your President in his efforts to bring the country out of this depression?

Since the 4th day of March there has been action at the White House. For 3 years prior thereto the country was permitted to drift, with the result that conditions continued to become worse. The Nation was on the verge of destruction when Mr. Roosevelt assumed command. Who can deny that there has been a change? Confidence has been restored and we are slowly recovering. There is, however, much still to be done. In order to continue the march, the ultimate goal being a return to prosperity, President Roosevelt asks us for this unprecedented legislation. It is a bill to further encourage the recovery of national industry; to foster fair competition, and to provide for the construction of certain useful public works. Of course it violates the principles laid down by Washington, Jefferson, Jackson, and Lincoln, but, my friends, if any of those great statesmen were in the White House today, they would find not a country such as they knew it, but a changed country. In fact, as Mr. Charles G. Ross, the Washington correspondent of the St. Louis Post-Dispatch says: "They would find themselves in a wonderland."

What might have been good medicine for the country ills then would likely be poison today. I shudder to even think what would have happened to an individual, let alone a President, who would have suggested such a bill 10 years ago. I might even say 2 years ago. We must remember that it requires extraordinary action to meet an extraordinary situation.

The report says the bill is designed to meet the needs of the present national emergency which, in the language of section 1, is "productive of wide-spread unemployment and disorganization of industry, which burdens interstate commerce, affects the public welfare, and undermines the standard of living of the American people." The President, in his message to the Congress May 17, said:

My first request is that the Congress provide for the machinery necessary for a great cooperative movement throughout all industry in order to obtain wide reemployment, to shorten the working week, to pay a decent wage for the shorter week, and to prevent unfair competition and disastrous overproduction.

Employers cannot do this singly or even in organized groups, because such action increases costs and thus permits cutthroat underselling by selfish competitors unwilling to join in such a public-spirited endeavor.

One of the great restrictions upon such cooperative efforts up to this time has been our antitrust laws. They were properly designed as the means to cure the great evils of monopolistic price fixing. They should certainly be retained as a permanent assurance that the old evils of unfair competition shall never return. But the public interest will be served if, with the authority and under the guidance of Government, private industries are permitted to make agreements and codes insuring fair competition. However, if it is necessary, if we thus limit the operation of antitrust laws to their original purpose, we must provide a rigorous licensing power in order to meet rare cases of noncooperation and abuse. Such a safeguard is indispensable.

The other proposal gives the Executive full power to start a large program of direct employment. A careful survey convinces me that approximately $3,300,000,000 can be invested in useful and necessary public construction, and at the same time put the largest possible number of people to work.

Provision should be made to permit States, counties, and municipalities to undertake useful public works, subject, however, to the most effective possible means of eliminating favoritism and wasteful expenditures on unwarranted and uneconomic projects.

We must, by prompt and vigorous action, override unnecessary obstructions which in the past have delayed the starting of public-works programs. This can be accomplished by simple and direct procedure * * *."

This bill gives the President the legislation he desires. We can only pray that it will meet the objective that he seeks—a return to prosperity.

In again supporting the President I express the hope that he will be careful to see that no subordinate permits the old evils of unfair competition to return. The extraordinary power that is granted calls for extraordinary precaution.

Now, as to the public-works feature, $3,300,000,000 is to be used, the President says, for useful and necessary public construction. The President demands the raising of $220,000,000 to pay the interest and sinking-fund charges on the $3,300,000,000 necessary to finance the public works.

It is a most unpleasant duty to increase taxes. The committee recommends an increase in normal income-tax rates on the first $4,000 of net income from 4 percent to 6 percent; in excess of $4,000 the rate is increased from 8 percent to 10 percent. The man who formerly paid $20 on $3,000 will pay $30; on $4,000 will pay $90 instead of $60; on $5,000 the tax is $150, an increase of $50; on $6,000 there is an increase of $70, to $210; on $7,000 an increase of $90, making the tax now $300; while on $10,000 the new tax will be $630 in lieu of $480 under the old law. The increase, of course, applies to all incomes above $10,000.

There is also an additional tax of three fourths of a cent per gallon on gasoline.

Much as I dislike to see the increase in income and gasoline taxes, still it is far better than a general sales tax.

There is a provision in the bill that when and if the States repeal the eighteenth amendment the taxes referred to will become inoperative. I am very much in favor of this provision, and I hope it will expedite action by the States.

It seems to me that the so-called "non-tax-paying States", the States that take more out of the Federal Treasury in the form of Federal aid than they actually pay in, owe it to the Government to assist at once in providing a way to collect sufficient revenue to meet its requirements.

If something is not done, I can vision a discontinuance, in the near future, of many activities where the Government is now extending aid to the States.

I present, Mr. Speaker, a chart received from the Treasury Department showing the extent of Federal aid in all of its ramifications to the individual States:

Federal aid to States.—Statement of expenditures made by the Government as direct payments to States under cooperative arrangements during the fiscal year ended June 30, 1932[1]

	Under Department of Agriculture							
	Payments to States for agricultural experiment stations (1)	Cooperative agricultural extension work (2)	Payments to States and Territories from the national-forests fund (3)	Payments to school funds, Arizona and New Mexico national-forests fund (4)	Forest-fire cooperation (5)	Cooperative distribution of forest-planting stock (6)	Cooperative construction of rural post roads (7)	Federal-aid highway system, advances to States, emergency construction (8)
Alabama	$90,000.00	$277,112.96	$136.38		$40,253.37	$231.25	$1,449,558.66	$969,606.30
Alaska	15,000.00	10,000.00	12,931.37					
Arizona	90,000.00	73,765.19	68,919.57	$30,358.89			2,445,249.48	726,446.32
Arkansas	90,000.00	233,759.26	20,035.70				2,443,071.02	518,171.59
California	90,000.00	213,925.57	280,824.46		170,498.00	437.00	5,013,452.92	2,242,004.08
Colorado	90,000.00	104,162.94	135,212.00			1,927.50	2,814,478.24	1,057,295.97
Connecticut	90,000.00	91,486.87			14,008.00	2,000.00	1,126,049.01	443,414.17

Federal aid to States.—Statement of expenditures made by the Government as direct payments to States under cooperative arrangements during the fiscal year ended June 30, 1932—Continued

	Under Department of Agriculture							
	Payments to States for agricultural experiment stations (1)	Cooperative agricultural extension work (2)	Payments to States and Territories from the national forests fund (3)	Payments to school funds, Arizona and New Mexico national-forests fund (4)	Forest-fire cooperation (5)	Cooperative distribution of forest-planting stock (6)	Cooperative construction of rural post roads (7)	Federal-aid highway system, advances to States, emergency construction (8)
Delaware	$89,640.51	$43,214.70			$1,318.00	$2,000.00	$512,060.63	$310,552.78
District of Columbia								
Florida	90,000.00	130,086.55	$10,059.76		65,826.12	2,210.00	1,245,206.16	944,802.40
Georgia	90,000.00	307,846.81	2,170.21		57,689.97	2,000.00	3,838,366.77	990,521.99
Hawaii	21,951.14	51,949.48			466.00	3,400.00	391,220.01	185,344.34
Idaho	90,000.00	79,183.48	133,081.12		69,251.00	913.00	1,682,385.02	803,647.38
Illinois	90,000.00	286,572.41					5,788,526.83	3,127,384.12
Indiana	90,000.00	221,434.42			7,560.00	3,637.71	4,134,264.18	1,706,606.09
Iowa	90,000.00	228,057.73				2,000.00	2,546,601.73	1,287,728.45
Kansas	90,000.00	188,512.25				2,000.00	3,291,566.93	1,255,105.84
Kentucky	90,000.00	269,203.47			18,780.00	1,785.00	1,949,897.63	1,020,255.46
Louisiana	90,000.00	197,917.54	1.63		51,810.00	2,175.81	2,049,281.07	958,079.93
Maine	90,000.00	94,576.78	803.59		54,732.00	868.49	1,664,568.68	581,781.91
Maryland	90,000.00	121,303.51			12,203.00	2,230.00	895,565.36	485,527.14
Massachusetts	90,000.00	85,956.57			34,991.25	3,150.00	2,492,975.93	960,587.24
Michigan	90,000.00	228,631.38	982.66		131,320.00	2,820.00	4,423,552.30	2,352,100.91
Minnesota	90,000.00	201,210.26	8,883.64		98,443.00		3,008,442.80	2,042,338.59
Mississippi	90,000.00	255,122.08			18,734.53	428.36	1,372,689.21	1,100,507.85
Missouri	90,000.00	267,006.88					2,943,232.61	1,703,978.40
Montana	90,000.00	90,876.47	67,151.98		30,145.00	2,250.00	3,429,106.02	1,004,619.38
Nebraska	90,000.00	155,475.45	2,106.12			3,880.00	3,772,318.33	1,211,377.44
Nevada	90,000.00	46,490.03	25,930.69		1,220.00		1,708,195.22	748,961.09
New Hampshire	90,000.00	59,042.54	11,578.46		18,012.00	2,911.00	400,588.14	400,000.00
New Jersey	90,000.00	123,013.64			28,140.00	4,000.00	889,185.74	670,131.06
New Mexico	90,000.00	76,295.41	32,211.46	$525.25	2,306.82		1,878,853.65	484,163.74
New York	90,000.00	289,054.60			77,191.00	4,000.00	11,167,966.22	3,781,884.24
North Carolina	90,000.00	331,687.11	4,753.91		50,090.61	2,360.00	2,366,819.85	1,272,659.35
North Dakota	90,000.00	115,583.71				2,660.00	1,931,074.18	1,094,730.20
Ohio	90,000.00	296,331.67			7,491.00	3,290.00	4,238,550.62	2,389,217.07
Oklahoma	90,000.00	238,542.91	1,514.78		16,670.00	2,470.00	2,086,708.87	1,244,186.13
Oregon	90,000.00	102,714.75	122,557.51		104,092.00	2,000.00	1,828,565.82	1,022,272.74
Pennsylvania	90,000.00	395,170.87	3,334.38		54,314.00	4,000.00	5,179,419.90	3,240,589.63
Philippine Islands								
Puerto Rico			63.75			2,940.00		
Rhode Island	90,000.00	34,540.56			2,410.00		976,232.74	400,000.00
South Carolina	90,000.00	214,442.13	635.97		28,978.83	1,759.23	1,409,926.16	488,368.04
South Dakota	90,000.00	114,441.87	32,099.22		1,125.00		2,486,985.52	1,051,415.51
Tennessee	90,000.00	261,246.65	3,015.35		25,320.00	2,344.35	1,494,839.91	817,027.03
Texas	90,000.00	481,957.86			42,205.00		8,447,826.24	3,646,122.14
Utah	90,000.00	70,704.03	58,054.73			1,300.00	1,276,689.88	705,051.64
Vermont	90,000.00	68,619.40			7,894.00	2,000.00	539,752.15	333,929.73
Virginia	90,000.00	249,678.16	5,853.76		35,730.00	2,160.01	1,841,802.21	995,735.74
Washington	90,000.00	121,329.98	115,174.01		111,543.00	2,000.00	2,100,875.62	978,352.59
West Virginia	90,000.00	181,935.94	473.82		31,348.00	2,150.00	1,758,953.68	805,474.62
Wisconsin	90,000.00	209,646.45	1.56		48,983.00	2,000.00	2,739,618.37	1,539,323.09
Wyoming	90,000.00	58,828.62	80,055.44			1,522.50	1,804,001.52	813,051.00
Total	4,356,591.65	8,649,649.90	1,240,608.99	30,884.14	1,573,093.50	90,211.21	127,367,119.74	58,912,432.48

	Under Department of the Interior				Under Navy Department—State marine schools	Under Treasury Department—to promote the education of the blind, American Printing House for the Blind	Under War Department—National Guard	Under Federal Board for Vocational Education—cooperative vocational education and rehabilitation	Under Federal Power Commission—payments to States under Federal Water Power Act	Under Veterans' Administration—State and Territorial homes for disabled soldiers and sailors	Total
	Colleges for agriculture and mechanic arts (9)	Payments to States from receipts under Mineral Leasing Act (10)	5-, 3-, and 2-percent funds to States (lands) (11)	Payments to States under certain special funds [3] (12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Alabama	$50,000.00	$4,669.88	$71.32			$3,293.39	$608,971.72	$241,035.00	$39.51		$3,734,979.74
Alaska	50,000.00								627.11		88,558.48
Arizona	50,000.00	37.99	816.16			193.02	173,369.94	53,315.33	145.60		3,712,617.49
Arkansas	50,000.00		581.64			1,616.54	456,530.04	174,648.86	1,201.20		3,989,615.85
California	50,000.00	325,945.99	1,529.99		$25,000.00	1,785.42	1,127,499.01	412,778.93	45,848.15	$112,439.18	10,113,968.70
Colorado	50,000.00	31,292.03				747.95	353,464.99	82,121.56	280.72	10,518.60	4,731,502.50
Connecticut	50,000.00					772.08	731,456.14	88,685.74		53,329.12	2,691,201.13
Delaware	50,000.00						122,455.98	29,164.25			1,160,406.85
District of Columbia							149,154.88				149,154.88
Florida	50,000.00		561.82			989.22	483,397.12	114,384.08	.04		3,137,523.27
Georgia	50,000.00					1,218.43	586,410.25	266,862.11			6,193,086.54
Hawaii	50,000.00					180.96	210,865.70	36,767.38			952,145.01
Idaho	50,000.00	2,284.69	1,221.52			265.40	285,734.31	53,594.55	5,072.23	8,446.20	3,265,079.90
Illinois	50,000.00					3,812.13	1,525,763.99	554,010.09		53,259.50	11,479,329.07
Indiana	50,000.00					1,773.36	868,168.36	252,441.14		9,477.60	7,345,362.86
Iowa	50,000.00					1,737.17	603,240.07	210,053.52		28,246.20	5,047,664.87
Kansas	50,000.00					1,387.33	654,716.41	129,555.22		8,749.80	5,671,593.78
Kentucky	50,000.00					1,700.98	476,607.72	224,786.36			4,103,016.62
Louisiana	50,000.00	1,693.94	74.01			1,363.20	357,234.94	174,793.60			3,934,425.67
Maine	50,000.00						414,437.90	55,224.72			3,006,994.07
Maryland	50,000.00					1,737.17	580,514.59	100,486.75			2,339,567.52
Massachusetts	50,000.00				25,000.00	3,353.71	1,594,818.59	237,501.27		50,364.26	5,628,698.82
Michigan	50,000.00		27.20			3,293.39	845,282.27	345,461.45	5.51	34,044.10	8,507,521.17
Minnesota	50,000.00					1,725.11	893,531.20	222,751.58	9.90	31,000.23	6,648,336.31

Footnotes at end of table.

Federal aid to States.—Statement of expenditures made by the Government as direct payments to States under cooperative arrangements during the fiscal year ended June 30, 1932—Continued

	Under Department of the Interior				Under Navy Department—State marine schools	Under Treasury Department—to promote the education of the blind, American Printing House for the Blind	Under War Department—National Guard	Under Federal Board for Vocational Education—cooperative vocational education and rehabilitation	Under Federal Power Commission—payments to States under Federal Water Power Act	Under Veterans' Administration—State and Territorial homes for disabled soldiers and sailors	Total
	Colleges for agriculture and mechanic arts	Payments to States from receipts under Mineral Leasing Act	5-, 3-, and 2-percent funds to States (lands)	Payments to States under certain special funds							
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Mississippi	$50,000.00					$989.22	$285,815.26	$202,418.93			$3,376,705.44
Missouri	50,000.00					1,218.43	789,488.00	262,573.50		$3,890.70	6,111,388.52
Montana	50,000.00	$34,838.81	$1,059.26			217.15	175,042.97	50,884.10	$137.34	4,874.10	5,031,202.58
Nebraska	50,000.00					627.31	252,127.20	118,247.31		13,103.40	5,669,262.56
Nevada	50,000.00	30.00	342.83				21,121.64	30,207.45	58.01		2,722,556.96
New Hampshire	50,000.00						175,035.44	31,605.35		5,258.70	1,334,031.63
New Jersey	50,000.00					470.49	881,030.14	276,997.06		20,808.56	3,033,776.69
New Mexico	50,000.00	61,287.27	566.69			1,278.75	234,777.01	51,002.37			2,963,268.42
New York	50,000.00				$25,000.00	4,656.59	3,663,639.73	838,520.32		917.40	19,992,830.10
North Carolina	50,000.00					2,931.48	596,879.51	284,938.03	47.93		5,053,167.78
North Dakota	50,000.00	8,485.42	91.68			422.23	155,935.96	75,667.84		1,926.30	3,526,577.52
Ohio	50,000.00					4,415.31	1,485,759.24	483,224.30		87,202.93	9,135,482.14
Oklahoma	50,000.00		54.00	$29,700.29		1,978.44	980,619.55	216,428.23		6,506.70	4,965,379.90
Oregon	50,000.00		203.08	751,638.91		1,290.82	513,763.61	77,604.70	7,804.95	9,881.26	4,684,390.15
Pennsylvania	50,000.00				25,000.00	5,259.77	2,275,301.91	630,123.55	35.25	37,395.00	11,989,944.26
Philippine Islands						241.27					241.27
Puerto Rico	50,000.00						191,180.71	45,000.00	39.97		289,224.43
Rhode Island	50,000.00						371,973.23	48,984.02		6,726.60	1,980,867.15
South Carolina	50,000.00					1,242.56	361,382.25	150,655.53			2,797,390.70
South Dakota	50,000.00	210.00	21.57			603.18	254,548.46	69,063.37	32.06	11,238.60	4,161,784.36
Tennessee	50,000.00					2,883.22	540,147.88	244,692.47	.86		3,531,517.75
Texas	50,000.00					4,210.23	1,587,481.37	456,868.15			14,806,670.99
Utah	50,000.00	31,759.98	872.55			410.16	526,011.66	44,881.95	1,358.97		2,857,095.55
Vermont	50,000.00						162,786.59	38,359.97		4,680.00	1,298,021.84
Virginia	50,000.00					1,290.82	655,397.04	205,633.38	20.82		4,133,301.94
Washington	50,000.00	1,840.45	3,147.91			1,121.93	563,390.03	106,264.62	6,285.91	43,839.46	4,295,165.51
West Virginia	50,000.00					1,604.47	248,120.82	128,319.88			3,298,381.23
Wisconsin	50,000.00		148.85			26 '90.21	863,546.98	243,334.18	1,429.80	14,521.46	5,805,243.95
Wyoming	50,000.00	813,473.58	511.00				149,939.39	37,701.47	85.37	1,385.70	3,900,555.59
Total	2,550,000.00	1,317,850.03	11,903.08	781,339.20	100,000.00	75,000.00	33,065,869.70	9,510,625.52	70,567.21	674,031.66	250,377,778.01

[1] Columns 1 to 8, inclusive, based upon figures furnished by Department of Agriculture. Columns 9 to 13, inclusive, and column 17, based upon warrants issued by Treasury Department. Column 14 based upon figures furnished by the American Printing House for the Blind. Column 15 based upon figures furnished by the Chief of the Militia Bureau, War Department. Column 16 based upon figures furnished by the Federal Board for Vocational Education. Column 18 based upon figures furnished by the Director of Finance, Veterans' Administration.

[2] Payments shown in this column were from following special fund appropriations:

Oklahoma: Payment to Oklahoma from royalties, oil and gas, south half of Red River	$29,700.29
Oregon:	
Coos Bay Wagon Road grant fund	6,079.40
The Oregon and California land-grant fund	745,559.51
	751,638.91

NOTE.—This statement does not include appropriations made by Congress for direct relief or loans to States on account of floods, hurricanes, fires, drought, etc.

Mr. COCHRAN of Missouri. Most of the Federal-aid appropriations are termed "permanent appropriations." They recur annually. As an indication of the continuous growth take the Extension Service of the Department of Agriculture. Originating in 1914 with the passage of the Smith-Lever Act, the appropriation for the fiscal year 1915 was $10,000 to each State, or a total of $480,000. This service was extended until we find $8,649,649.90 appropriated for the fiscal year ending July 1 last. To this the States in the same year spent approximately $15,000,000. Not only do we extend aid to the several States, all participating, but recently laws have been enacted which bring in Hawaii, Puerto Rico, and Alaska. From a handful of men operating the Extension Service it has grown until now there is an army of 6,000 men and women throughout the Nation engaged in this activity. The home demonstration agent, a woman, has entered the picture. The woman is a "home planner." She spends her time showing the housewife how to improve her housekeeping, covering every phase from equipping the home to canning the fruit and vegetables. About 20 percent of the total amount spend is used for "home demonstration" work.

According to the Census Bureau there are 3,073 counties in the United States. This means on an average of two extension agents for each county. Some counties do not have an extension agent. In South Carolina there are six or seven extension agents in some of the counties.

The job of the extension agent is to help the farmer earn more on what he produces; to pass along to him information of value secured through scientific research. For years they have shown the farmer how to increase production. The job was performed so well that such a surplus developed that the price of farm products was recently at the lowest point it has reached since the Civil War. We appropriated $60,000,000 for the Department of Agriculture proper, not including road appropriations, for the next fiscal year. The duties of this Department are to stimulate agriclulture in all its phases. We appropriated this year over $100,000,000 to loan to the farmers for crop production. That money is being loaned now. Then we pass a bill, the farm relief bill, which has as its main purpose a reduction in yield. This does not appear good logic. Money to show the farmer how to increase production, money for the farmer to plant crops, and then a scheme that will cost consumers hundreds of millions to lower production. It appears to me that it is time for the Secretary of Agriculture to reach some definite agreement as to what we should and should not do. Surely it is not wise to appropriate money for a given purpose and then make more money available to reach our objective directly in opposition to the first proposal.

Another activity that has expanded from year to year is the experiment stations. For the year ending July 1, 1932, the Federal Government set aside $4,356,591.68. Of course, under the law the States were required to match this amount, making at least a total of $8,713,183.36.

There is an immense duplication of work.

Then you have your vocational education, aid to colleges for agricultural and mechanical arts, forest-fire cooperation, and whatnot.

The point I desire to drive home is that the Federal Government cannot carry on in the future as it has in the

past unless additional revenue is raised. The repeal of the eighteenth amendment will enable the Government to raise well over half a billion dollars in taxes. Are the "dry States" which have the right to keep liquor from coming within their borders to deny the Government this revenue of taxation? If they do, I predict there will be an end to the Federal aid they are now receiving. It just cannot go on unless the money is made available.

The people of the "dry States" should understand the situation that confronts the Government. If the situation is properly understood, the eighteenth amendment will be speedily repealed as it should be in the interests of temperance.

Has any harm come from the legalization of 3.2 percent beer? Nothing but good has come to the country from the enactment of that legislation. There is not a State in the Union, no matter how dry that State is, that has not benefited by the passage of that act. Take, for instance, Mississippi. I am told that residents of that State, as dry a State as there is in the Union, are working overtime securing the lumber that goes into the making of the shipping cases.

I repeat that if the dry States do not assist in repealing the eighteenth amendment, they cannot expect a continuance of the Federal aid they have been receiving from the Government.

The public-works feature of the bill will put millions to work in this country who have been out of employment for several years. It will give the honest man an opportunity to earn a proper living for his family. That the President means to expedite this feature of the legislation is assured, for he is now having every State in the Union submit suggestions of projects that might be financed under the provisions of the measure. Just as soon as the bill becomes a law the President should revoke the stop order on the public buildings issued about 60 days ago. Many of these projects can be started within 30 days. Put the unemployed to work and the depression will disappear. This is what the President is trying to do and he deserves our support.

THE FARMER-LABOR PARTY IN 1933

Mr. LUNDEEN. Mr. Speaker, ladies, and gentlemen, when the Conservative Party and the Liberal Party failed to solve the problems of Great Britain after the World War, the farmers, the workers, and the soldiers of that Empire turned to the British Labor Party. The despised Ramsay MacDonald, who had opposed England's entry into the World War and who had suffered much abuse and insult, came into power with the Labor Party. MacDonald himself was one of the builders of that party.

In 1927 and 1928 I traveled through England, Denmark, Finland, the Soviet Union, Sweden, Germany, Belgium, and France, and I visited 7 of the capitals of these 8 countries, and I found the Labor Party in control or about to assume control in every country in which I visited. Social-service legislation, old-age pension, unemployment insurance, and other legislation along the lines of public service was far in advance of legislation in America. Europe has much to learn from America, but it must be said that America has much to learn from Europe, and one of the things that we must learn is that some day a great labor party will come to the fore in the United States.

Already the Farmer-Labor Party has captured the State of Minnesota. We have there a Farmer-Labor Governor, Farmer-Labor Lieutenant Governor, Farmer-Labor attorney general, Farmer-Labor railroad and warehouse commissioner. We have there the senior United States Senator, and at one time we had a junior United States Senator; and we have five Farmer-Labor Congressmen now in Congress. The Farmer-Labor Party also controls the house of representatives in the State of Minnesota and many other offices which could be mentioned.

The Farmer-Labor Party rose out of agricultural problems and labor problems following the World War, and it is now being given added impetus by the problems of the veterans. At every step of the road the Farmer-Labor organizations and the Farmer-Labor platforms have given a friendly hand to our service men.

A number of States surrounding Minnesota and in the Mississippi Valley and in the far West have had at one time or another small beginnings of a Farmer-Labor Party organization. At some future time I hope to give some Farmer-Labor history along that line. I also hope to give a clearer and better picture of Farmer-Labor history in Minnesota.

A Farmer-Labor National Convention was held in 1920 in Chicago; another convention was held in St. Paul in 1924, and there were efforts along that line in 1928 and 1932. Independent organizations and various committees and leagues for independent political action have struggled to gather the disorganized progressive and liberal forces of this country into a solid, fighting unit. I invite these organizations and forces to join battle under the banners of the Farmer-Labor Party, building in 1933 and 1934 a national organization and a national party.

Now is the time to prepare for the Presidential election of 1936, and we must capture many additional seats in Congress and in the United States Senate in 1934. Remember that as far back as 41 years ago the People's Party, almost a duplicate of the Farmer-Labor Party of today, with a militant program in 1892, captured more than 1,000,000 votes for President in that early day. Fusion destroyed that party in 1896. The alluring promises of the Democratic Party with a progressive, liberal leader, eloquent and appealing to the masses, brought about the destruction of the People's Party. It is entirely possible that if that party had continued actively as a separate unit it might have taken over the Government by 1912.

Whenever a new party rises along labor lines insidious forces seek to disrupt and destroy these organizations. It is continually preached from the housetops that third parties never survive, and those who preach that forget that the Republican Party was once a third party, and that nearly all parties in the world today were at some stage of history third parties, and even fourth and fifth parties. There is nothing to that argument; in fact, it is not an argument at all. It is merely a misleading statement which has no foundation.

One of the great problems has been to bring solidly behind this Labor Party the American Federation of Labor with its millions of organized workers. It would seem that in these days of thirteen to seventeen million unemployed reported by various organizations that labor ought to build their own party. The Hamilton Institute of New York City vouches for unemployment figures of more than 17,000,000. This has no doubt slightly decreased this spring. We find good cooperation everywhere through farm organizations and cooperatives.

There has been great poverty and destitution and suffering in America for some time. Certainly it ought to be plain by now that there is no relief and hope to be found in the old parties, controlled as they are by organized wealth, money trusts, international bankers, such as the House of J. Pierpont Morgan & Co. and other great banking firms. The march of their millions is heard throughout the land, and their dollars are constantly rolling into the tills of newspaper and magazine offices, radio chains, and into the pockets of lecturers and propagandists.

Read the Pujo investigation of 21 years ago, which is published in three volumes by the United States Government. This investigation was brought about through the gallant, militant leader, Charles A. Lindbergh, Sr., for 10 years a Congressman from Minnesota, and father of the famous flier. He continually spoke of the Money Trust and that the Money Trust should be investigated. He spoke of the evils to come from the Federal Reserve System. He wrote many books, such as The Economic Pinch, Banking and Currency, Why Your Country Is at War, and numerous pamphlets, and his speeches are a source of inspiration and may be found in the CONGRESSIONAL RECORD in the period from March 4, 1907, to March 4, 1917.

The captains of industry are in absolute control of this country today. Their power is unlimited and they reach

far beyond the shores of America into foreign lands. Their power must be tamed lest America be destroyed. Tell me what power will bring them to book? Will the conservative parties do that? I cannot believe that, with the wildest stretch of the imagination.

Unless a party is builded in this country, rooted in the workers of the soil and the workers of the hand and brain in offices and cities, supported and encouraged by millions of service men—I say unless such a party is builded relief for the people will be a long time arriving. Since 90 percent of the people are farmers and workers of the hand and of the brain, and since they are cemented by the service men in every rank of life—since all have a common foe; here are the elements for a great new party.

Howard Y. Williams, national director of the League for Independent Political Action, 112 East Nineteenth Street, New York City, is actively at work now along these lines and has been for some years. He is assisted by a group of splendid men headed by John Dewey, famous educator and writer. The Farmer-Labor Leader, St. Paul, Minn., is a State-wide organization paper. The Labor Review, of Minneapolis, Minn., and the Union Advocate, of St. Paul, Minn., labor papers, will gladly send you information, I am sure.

On May 16, 1933, I placed in the CONGRESSIONAL RECORD a speech, "Intelligent National Planning, a New Political Alinement by the Organization of Farmers, Workers, and Veterans." This speech may be secured by writing to Mr. Williams at the address which I have given; and I will be very pleased to hear from you, and my office at Washington is at the service and disposal of the great American people who are interested in the building of a great national Farmer-Labor Party.

A short time ago, on June 3, 1933, I placed in the RECORD material under the title of "Farmer-Labor Governor in Action", Floyd B. Olson's two inaugural addresses and other statements and resolutions. I am giving this information to the American public that they may know they are not alone in the hope for a new party, progressive, liberal, militant, for the people, and against the money power which is crushing us to the earth with bonds and interest in a cruel money system which must be revised and rebuilt to serve the people.

ORDER OF BUSINESS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. BYRNS. Mr. Speaker, first I have been requested by the following Members to state that they are unavoidably absent, and if present they would vote "aye" on this bill: Mrs. NORTON, Mr. CANNON of Wisconsin, Mr. WOOD of Missouri, Mr. ABERNETHY, Mr. MARLAND, and Mr. KERR.

Mr. Speaker, as to the program for tomorrow, I am going to ask the House to adjourn until 12 o'clock tomorrow. There is nothing on the calendar and absolutely no business will be transacted. This adjournment is being taken solely for the purpose of permitting one and possibly two committees to report bills to the House in order that we may have something to do on Monday in addition to the two or three suspensions which will be recognized by the Speaker.

It is my hope that in addition to the suspensions which will be recognized by the Speaker we will be able to take up a bill which was introduced today by the gentleman from Alabama [Mr. STEAGALL] relating to the payment of obligations of the Government in gold; in other words, it provides for their payment in lawful money acceptable in the payment of private debts and obligations.

Mr. MARTIN of Massachusetts. Will that be considered under a rule?

Mr. BYRNS. That will be considered under a rule, and I hope under an open rule.

Mr. KELLER. Will the gentleman yield?

Mr. BYRNS. I yield.

Mr. KELLER. What about Tuesday, Decoration Day?

Mr. BYRNS. I do not want to destroy the gentleman's speech, but he can reserve his speech against other kinds of rules for a later date.

Mr. KELLER. How about Decoration Day, Tuesday?

Mr. BYRNS. It has been the custom of the House to meet on Decoration Day and I think we can render a patriotic service if we come here and dispose of this legislation. It is my hope and my expectation that on Tuesday we will take up the farm credit bill. But I have stated to several gentleman that if the House is willing, we will not have any record vote upon that day, but will have the record vote upon Wednesday. In fact, I hardly think we can conclude the consideration of the bill in one day.

Mr. MARTIN of Massachusetts. Will the gentleman tell us what suspensions will be taken up on Monday?

Mr. BYRNS. I would refer the gentleman to the Speaker for that information.

The SPEAKER. The Chair understands there are three suspensions. The Chair does not think they are particularly important.

One is the bill (H.R. 5690) to legalize the sale and possession of beer in Oklahoma, provided the State permits the sale of beer. Another one is the Hawaiian governorship bill, and the third relates to an amendment of the National Defense Act, which has been unanimously reported from the Committee on Military Affairs.

REGULATION OF BANKING

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill [H.R. 5661] to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, with Senate amendments, disagree to the Senate amendments and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Alabama? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. STEAGALL, GOLDSBOROUGH, and LUCE.

PURCHASE OF STOCKS AND BONDS OF INSURANCE COMPANIES

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill, Senate 1094, to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies, with House amendments, insist on the House amendments, and agree to the conference asked by the Senate.

Mr. McFARLANE. Mr. Speaker, reserving the right to object, that is the bill in which the House struck out the $17,500 limitation on salaries of officials of the company?

Mr. STEAGALL. That is the insurance bill. It is a Senate bill which was passed by the House.

Mr. KVALE. Mr. Speaker, reserving the right to object, I wish to ask the chairman of the commitee if he will permit me to read a brief telegram from the Mayor of the City of St. Paul.

Mr. STEAGALL. I shall be very pleased to.

Mr. KVALE. This telegram is from the Mayor of the City of St. Paul and reads as follows:

ST. PAUL, MINN., *May 26.*

Hon. PAUL KVALE,
Representative in Congress:

Ramsey County poor relief must be borne jointly by city and county. Our amendment to Reconstruction Finance Corporation Act authorized purchase of city and county bonds, also provisions were incorporated to insure legal issue of bonds. City and county cannot pledge bonds, must sell. Imperative wording our amendment be incorporated in act.

WILLIAM MAHONEY,
Mayor, City of St. Paul.

Is there any way in which the gentleman can see that the amendment I offered, but withdrew on the assurance of the committee, can be considered in conference? I know that there is only a limited time for operation, but the emergency is dire in this particular situation.

Mr. STEAGALL. All I can say to the gentleman is that I am very much in sympathy with his position. I cannot assure him, of course, what will be done. I cannot say more than to express my own feeling about it.

I may also say to the gentleman that under legislation, now evidently in process of final passage at an early date, the relief contemplated in the telegram the gentleman read could no longer be afforded by the Reconstruction Finance Corporation.

Mr. KVALE. I am sensible of that, but there will be some little space of time within which the Reconstruction Finance Corporation will still operate.

Mr. STEAGALL. I am in sympathy with the gentleman's efforts.

Mr. McFARLANE. Mr. Speaker, reserving the right to object, I wish to ask the chairman a question. As I understand, the gentleman is asking that we insist upon the committee amendment in the House which struck out the $17,500 salary limitation. Is it the gentleman's intention to insist on the position of the House?

Mr. STEAGALL. We expect to uphold the position of the House so far as that may be possible. That is all I can say to the gentleman.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. McFARLANE. Mr. Speaker, I object.

REGULATION OF BANKING

Mr. McFARLANE. Mr. Speaker, I withdraw my objection.

Mr. STEAGALL. I renew my request.

The SPEAKER. The gentleman from Alabama asks unanimous consent to take from the Speaker's table the bill (S. 1094) with House amendments, insist on the House amendments, and agree to the conference asked by the Senate. Is there objection? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. STEAGALL, GOLDSBOROUGH, and LUCE.

PUBLIC WORKS BILL

Mr. JOHNSON of Oklahoma. Mr. Chairman, I ask unanimous consent to address the House for 2 minutes.

Mr. CARPENTER of Kansas. Mr. Speaker, reserving the right to object, I ask unanimous consent to extend my own remarks on the bill, H.R. 5755, and include a protest by some of my constituents.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. CARPENTER of Kansas. Mr. Speaker, ladies, and gentlemen, to begin with let me say that I commend the President of the United States for the noble motives that impel him as a leader of this country to fight the battle of unemployment, and I commend the Ways and Means Committee for their sincere consideration and hard work that they have exerted in regard to this bill; and while I am hopeful if this bill becomes a law that it will, if possible, assist in restoring prosperity in this country if such methods can restore prosperity, yet, nevertheless, I have my own views in regard to this matter, which I wish to present at this time.

The people of the Fourth Congressional District of Kansas are demanding a cessation of governmental waste and extravagance, a reduction of governmental expenses, and are opposed at this time and at all time to an increase in the rates of taxation and innumerable sales taxes that are generally employed in times of war.

The farmers of the Fourth Congressional District do not agree with President Hoover that the antitrust laws should be made more liberal, but believe the antitrust laws should be strengthened and enforced.

This, Mr. Speaker, ladies and gentlemen of the House, is taken from the statement that I issued when I announced for Congress last year and the platform that I was nominated and elected on. When I made these statements, I was honest and sincere in them. Surely I cannot be so soon forgetful of these statements made by me time after time in my campaign, nor can I see any reason to change my tune at this time because I am in a different environment than the one in which they were made.

In view of these statements then how can I vote for an increase of the gasoline tax, sales taxes, and other taxes to be foisted upon the backs of the already tax-burdened people of this country? How can I vote to increase the income-tax rates upon the little man whereas men like Morgan and other great rich men of this country publicly announce, while they pay income taxes in England, they pay no income tax in this country. How can I vote to modify the antitrust laws instead of making them more stringent? In view of my statements in regard to governmental economy in my campaign how can I vote to increase the bonded indebtedness of this country? How can we be consistent in taking $450,000,000 from the ex-service men and then spending $3,300,000,000 for public works we do not need and can get along without? In this connection it is proposed to spend $45,000,000 in Kansas in building a huge dam at a place called "Kiro" on the Kansas River, near Topeka.

This dam would be 2 miles long and from 60 to 100 feet high. It would create a lake flooding 106,000 acres of land. It would create a lake 40 miles long and from 4 to 6 miles wide. It would flood one of the most fertile valleys in the United States and which has been stated to be only excelled by the Nile in productivity. It would destroy 12 towns and cities. Approximately two thirds of the area flooded and more than one half of the towns destroyed would be in my congressional district. This project would have no value for Kansas but is merely to store up the flood waters of the Kansas River so that they may be fed into the Missouri River to make it navigable. The water would not be kept at any certain level and therefore would create for the most part a mudhole or a marsh. It is questionable in my mind whether it would be feasible anyway, because I do not think that the formation of the earth in this locality is such that it would retain the water, as I think there would be a great deal of seepage.

The people of this district last year voted for a change of administration as the people did all over the United States with the fond hope of bettering their condition in view of the promise of the new deal, and like the rest of the people of this country since the 4th of March have given a sigh of relief and are again going forward with a new confidence. Imagine their surprise and utter dismay to read one day last week in the daily newspapers that all their possessions and homes and everything that was near and dear to them are to be wiped out. Farmers who have farmed this land all their lives and their fathers before them were dreaming how they were going to be lifted out of their difficulties by the farm loan bill that we have passed, coupled with increasing price of products. Business men who had spent their lives in building up their businesses now view the possibility of their complete destruction. Churches, schools, and colleges that have been the pride of the inhabitants are to be destroyed, as in the great flood in the time of Noah. Cemeteries that contain the remains of the dear ones are to be obliterated, and all those places of tender memories are to be ruined. Paved highways that are the pride of the State, railroad lines of railroads connecting the Atlantic and Pacific will have to be rerouted. It might be said that the people would be compensated, but for most of these things that I have detailed there could not be any compensation that could replace them, and there would be much more destroyed in actual property than the $45,000,000 it would take to build the dam. Property that was a great taxable asset to the local community and the State will be wiped out, and in its place will be substituted Government property that will be nontaxable. Inasmuch as part of this property is under bonded indebtedness for civic improvements, great burdens will be thrown upon the remaining property and uncertainty thrown about these obligations.

People living in this community and in these cities within this project and in my district who have been planning on going forward in this new era and who are now repairing and fixing up their properties have ceased all operations and

plans, knowing not which way to turn. Whereas a few contractors and a small number of men comparatively might receive employment for a short duration of time, over 20,000 of my constituents would be driven from their homes, as the Arcadians were in Evangeline; and what would be accomplished by all this? The Missouri River would not be navigable, and never will be; and if it be made navigable, it will merely be a diverting of traffic from the railroads that need it so badly. Such a project would result in an ill-advised piece of governmental extravagance which everyone opposed in the last campaign. My constituents who are to be so adversely affected are appealing to me to protect them and assist them at this time; and in this connection, Mr. Speaker, ladies, and gentlemen, I wish to read two telegrams and a remonstrance petition which were sent to me by those affected.

And, in addition thereto, I am receiving scores of letters from people, many of whom are old people, and the only possessions they have are their little homes, begging and beseeching me as their Representative to protect them in this matter.

WAMEGO, KANS., *May 20, 1933.*

Hon. RANDOLPH CARPENTER,
House of Representatives:

Over 2,000 of the members of our community met in indignant protest here against the Kiro Dam project last evening. We urge you to do everything within your power to avert the tragedy that will exile some 20,000 people from their Kaw Valley homes. Please wire us your answer.

THE WAMEGO PROTEST COMMITTEE,
O. B. LARSON, *Chairman.*

WAMEGO, KANS., *May 21, 1933.*

Hon. RANDOLPH CARPENTER,
Member of Congress, Washington, D.C.:

Our citizens are worked up over the Kiro Dam. Business in all lines has slowed down because our people are afraid to start improvements or deals of any kind while the uncertainty exists. Will you please use your efforts to at once block this project? We will appreciate an immediate reply.

FLOYD FUNNELL,
Mayor Wamego City.

A MODERN TRAGEDY

On the assumption that whatever benefits the majority may be done at the expense of the minority is the principle on which the proposed dam project at Kiro, Kans., is being considered. Kiro is just a small town west of Topeka, and the proposed dam, if built, will flood the Kaw Valley from Kiro west to a point just east of Manhattan, Kans.

The waters thus dammed will cover a territory from 4 to 6 miles wide and about 40 miles long. The towns of Silver Lake, St. Marys, Rossville, Kingsville, Louisville, Wamego, Belvue, and Wabaunsee will all be partly or wholly inundated with water; and hundreds of thousands of acres of the most fertile soil in the world will become but the bottom of a lake. The fact is the Kaw Valley has often been compared in fertility to that of the famous Valley of the Nile in Egypt.

This project is proposed by the administration in Washington for the purpose of flood control and navigation. The cost of the proposal has been set at $45,000,000, a sum that will not start to pay for the actual damage and cost of the proposition. It is estimated that it will furnish employment for about 15,000 men for a period of time, disregarding the fact that it will put about 10,000 folks in this district out of employment and many more than that out of their homes.

The towns affected by this dam are not large towns. They vary in size from a few hundred to around 1,500 people. But they are good, self-respecting towns—towns that have lived from a half to more than three quarters of a century; towns that owe their livelihood to the surrounding farm lands, which lands are soon to be a thing of the past. These towns will be forced to disappear or move, and if moved will have lost the source of their support.

The farms and farmers of this section are of the highest type. These fruitful acres are occupied by fine farm homes and inhabited by the class of people that compose the backbone of our American civilization. These farmers have felt the depression as hard as anyone, and yet they have worked on and "sawed wood." There have been no farm rebellions in the Kaw Valley—no strikes, no uprisings because of the farming situation. Instead, these farmers in the face of ruinous prices and heavy indebtedness have made the best of it—trusting and having faith in the future.

The folks in this affected territory are home-loving people. They are not used to the city habit of often changing flats every few months. Many of them have lived in their present homes all of their lives. They have well-kept homes with lovely yards and gardens. They are neighborly, friendly people that take pride in their prosperous little towns. Many of the business men in these towns have been in business for half a century. They have given their life's work to the establishment of their businesses. Then, too, the Union Pacific Railroad tracks, the Rock Island tracks, United States Highways Nos. 40, 10, and 11 will have to be rerouted as they lie through the proposed district.

But the Administration at Washington is fostering the proposition. The river towns of Missouri will be benefited by it. And it will be possible for barges and steamboats to take away some more freight tonnage from the railroads—the railroads, that are facing bankruptcy; the railroads, that are the backers of our insurance policies and one of the greatest tax-supporting units of our Government.

But in this country—a country established by our forefathers as a place of liberty and justice to all—the above project is being proposed. The individuals and the smaller group must give way to the larger group, in spite of the fact that the homes and farms and businesses of thousands of individuals will be destroyed and the individuals driven from their means of earning a living; in spite of the fact that several of the prettiest little towns in America will be wiped from the face of the earth. The new rural high school at St. Marys will be destroyed as well as a part of the Jesuit school buildings in the same town. Dozens of other schools and churches will be razed and done away with. The beautiful park at Wamego will be but a memory.

When the papers announced the probable outcome of the dam plan Tuesday morning, May 16, the inhabitants of the affected district were as shocked as though a terrible calamity had happened in their midst. One woman, who was varnishing the floors of her small home, quit the job and decided not to finish it. "What's the use", she said, "we'll all be moving out one of these days anyway." One 6-year-old little girl, on being told of the dam by her mother, broke down crying and said, "Mother, we haven't done anything to them, have we? God will do something to those people that are going to cover our house with water."

Of course the Government expects to pay damages for the land and property destroyed. But what amount could pay the damage done a business, backed by years of goodwill? How can these people ever be repaid for their lost towns, their wrecked gardens, and the loss of their good neighbors and homes? Money cannot buy trees that have sheltered homes and yards for decades. Nothing can ever repay folks for the separation from an old homestead.

And as the Arcadians of old, the men, women, and children of this valley will be exiled from their homelands forever. Homes will be broken, business relations ended, friends and neighbors will part.

Is it necessary that our modern American civilization demand the sacrifice of an individual part of that civilization for such a cause? Are the whims of a political party or the greed of commerce of greater importance in America than the safety and sanctity of the American farms and homes?

And while the good people of the Kaw Valley await the verdict of either acquittal or exile, their hearts are heavy and their minds are at a loss to understand why their own United States of America should wish to treat them so.

N. T. LARSON,
Wamego, Kans.

Last year we all made a campaign on governmental economy and in our Democratic platform we said:

We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 percent in the cost of Federal Government.

We deplored the action of the Hoover administration in squandering public funds and building the $17,000,000 Commerce Building, the Hoover Dam, and all these unnecessary buildings here in Washington. At the very commencement of this administration one of our first acts was to reduce governmental expenses. Why then should we take absolutely the opposite stand from our economy platform in our recent campaign?

It is said that the purpose of this public works bill is to give employment and restore prosperity in this country; as was aptly said in the House the other day, "We cannot tax ourselves back into prosperity." When we made the promise to reduce taxes, how can we consistently increase taxes?

Three billion three hundred million dollars which is to be spent over a number of years is merely a drop in the bucket and cannot in itself restore prosperity in this country. How can prosperity in this country be restored by the Government's recklessly spending on unnecessary structures and structures that are not self-liquidating $3,300,000,000 when our national income dropped in 1 year from $90,000,000,000 to $40,000,000,000. The only result will be higher taxes.

There is one way in which this proposition of public works, in my judgment, could go a long ways in restoring prosperity, and that is that these public works that are contemplated of being built should be paid for by the issuing of new currency as provided in the inflation bill that was

passed as a part of the farm act recently. By paying for the projects provided for in this bill with currency we would be saving approximately one billion to the taxpayers of this country—figure it out for yourself. It is necessary by taxation to raise $220,000,000 a year for 20 years, as I understand, to pay off the interest and principal on these bonds. That would mean that it would cost the Government $4,400,000,000, whereas if we paid for this by expansion of the currency, we would only be spending $3,300,000,000, at no cost to the taxpayers, whereas by using currency, I believe, we would be not only saving a billion dollars but would be saving $4,400,000,000; but if we were to figure that we were only saving $1,100,000,000, this would be 25 percent of the project and in keeping with our platform pledges to reduce governmental expenses by 25 percent instead of increasing governmental expenses by 25 percent. With the provision of so paying for these public works that are really necessary in this country, it gives us an expansion of currency that would materially assist in reestablishing prosperity. The issuing of tax-exempt bonds will take that much more money away from the source of local taxation. However, in my judgment, prosperity is going to be restored in this country in spite of this bill; it is going to be restored in the same manner and in the same method in which the depression was created; confidence has been restored, and we are going to talk ourselves back into prosperity the same as fear caused us to talk ourselves into the depression.

And in conclusion in regard to this matter let me make this statement—that I have witnessed almost every day since I have been in Congress, Members being lined up, put on the spot, and forced to vote against their campaign promises and their best judgment. In my campaign I made certain promises to my constituents; if I thought my position then taken was wrong and not for the best interests of the people of my district, I should be glad to change my position and correct the same; but when I know my position was right then, and is right now, I cannot in honesty and justice change my position and go back on every promise that I made to my people only a few days ago.

The farmers of this country were denied the privilege of fixing their prices when the Simpson-cost-of-production amendment was turned down in this House a couple weeks ago, yet under title I—the first part of this bill, that has no relation to the public works part of the bill—monopolies and trusts are permitted to increase and fix the price of products they expect to sell to the farmer.

There is another feature of this proposed bill—which under the rule cannot be amended except by the Ways and Means Committee—that may lead to a dictatorship over all the industries of this country and which could result in disadvantage to the little man and the little industry through favoritism of this system to the more powerful. Serious doubt has arisen as to the constitutionality of such an act. And if because of the present so-called "emergency" the Supreme Court should hold this act as constitutional, such decision in itself might result in what would amount to an abandonment of the Constitution. This old Constitution has carried us through all the storms of the past into seas of prosperity, has made us the greatest Nation and people in the history of civilization. The storm of the Civil War that it withstood was worse than the present storm. It stood by us then and will stand by and carry us through the present storm. Then in our hysteria of the present hour we should not abandon it, for if we do not, one can foretell the future; let us stay by it and ride the storm out to prosperity and a better day.

Regardless of what course others may take, I only know one way to play politics, and that is to as nearly as possible keep my campaign promises.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma to address the House for 2 minutes?

There was no objection.

RULES AFFECTING DISABLED WAR VETERANS MUST BE MODIFIED

Mr. JOHNSON of Oklahoma. Mr. Speaker, for the past several weeks I have been doing everything within my power to point out the injustices proposed to be done to thousands of disabled war veterans throughout the country by the Director of the Budget and the Administrator of Veterans Affairs, who are administering that part of the Economy Act affecting war veterans.

On May 5 I spoke on this subject at some length on this floor in connection with my House Concurrent Resolution No. 17. Since that time I have received hundreds of letters from disabled war veterans, many of whom have been disabled for several years and whose disabilities are service connected, advising me that they have been notified by the Regional Office at Oklahoma City that their compensation would be cut entirely off or materially reduced June 30.

I desire at this time to enter another protest against the heartless, cruel, cold-blooded, and unreasonable manner in which those officials in charge of administering the veterans' laws propose to deal with our helpless and disabled war veterans. I could give this House dozens of instances of injustices that are proposed to be made in connection with veterans whom I know personally, but I shall not do so at this time. As one who reluctantly voted for the Economy Act because of assurances given me by those in whom I had the utmost confidence, and because of my sincere desire to stand by our great President, I say here and now that I shall insist that this House remain in session until Christmas, if need be, in order to correct the wrong that is evidently about to be done to many of our disabled war veterans unless drastic action is taken before June 30. [Applause.]

Time does not permit me to include all the resolutions I have received in connection with this matter so near and dear to the hearts of the war veterans and their families, but I am submitting herewith one resolution unanimously passed by El Reno Post, No. 34, one of the largest American Legion Posts in the district I have the honor to represent in Congress.

At this point, Mr. Speaker, I ask unanimous consent to extend my remarks by printing the resolution.

Mr. MARTIN of Massachusetts. Whom did you say these resolutions are from?

Mr. JOHNSON of Oklahoma. From an American Legion Post at El Reno, Okla.

Mr. McFADDEN. To what do they pertain?

Mr. JOHNSON of Oklahoma. To proposed changes in the rules and regulations and instructions with respect to the administration of the Economy Act by the Director of the Budget and the Veterans' Administration.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. JOHNSON of Oklahoma. Let me add that the suggestions herein made concerning the needed changes in the administration of this law occur to me to be reasonable, just, and fair, and I sincerely trust they will be given every possible consideration by those in authority at an early date.

EL RENO, OKLA.

Resolutions

Whereas the economy program of the national administration is receiving the hearty endorsement of the American Legion in practically every phase, as an emergency movement to save the Nation from its threatened financial collapse; and

Whereas the veterans are willingly accepting reductions in many places which have imposed real hardships upon them, all in a spirit of patriotism of the same type which prompted them to make unlimited sacrifices at the time the Nation was in the war emergency; but

Whereas the application of the new compensation-reduction program applies to those veterans who are physically handicapped in such a way that they are unable to provide for the proper maintenance of themselves and families; and

Whereas a humanitarian view of the situation demands that these men who have rendered service to their Nation which cannot be compensated by money, be given every possible aid and comfort by those who are not so handicapped: Be it hereby

Resolved by El Reno Post, No. 34, American Legion, Department of Oklahoma, That we endorse the program of the national executive committee of the American Legion which provides for the following revisions in the announced application of the emergency measures and urgently request our Congressmen and Senators to

actively cooperate and aggressively assist the American Legion in its program:

1. Continuing on compensation rolls all service-connected cases of veterans, which were properly granted under laws in existence immediately prior to the Economy Act.

2. A change in the present regulations relating to hospitalization and domiciliary care in Government institutions for non-service-connected disablements.

3. Rectification of money payments to veterans suffering from service-incurred disabilities to more equitable levels.

4. A liberalization of some of the present unduly restrictive burial provisions; be it further

Resolved, That El Reno Post, No. 34, oppose to the utmost the unfair cuts, in many cases as high as 60 percent, in service-connected compensation, and urgently demand that in the event definite proof of service-connected disabilities is lacking and yet there is a strong presumption that their origin was due to the rigors of service, that the veterans be given the benefit of the doubt.

Passed and approved this 16th day of May 1933.

By order of the executive committee.

W. NELSON HANCOCK,
Commander.
J. CHARLES BURGER,
Adjutant.
GUY C. KNARR,
Service Officer.
J. B. KELLY,
Finance Officer.
J. A. WHEATLEY,
First Vice Commander.
ROBT. E. MARK,
Second Vice Commander.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. RAMSAY, for May 29, 30, and 31, on account of important business.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 284. An act authorizing the conveyance of certain lands to school district no. 28, Deschutes County, Oreg.; to the Committee on Public Lands.

S. 813. An act to remove the limitation on the filling of the vacancy in the office of senior circuit judge for the ninth judicial circuit; to the Committee on the Judiciary.

S. 860. An act for the relief of George W. Edgerly; to the Committee on Military Affairs.

S. 879. An act for the relief of Howell K. Stephens; to the Committee on Military Affairs.

S. 1129. An act to amend sections 361, 392, 406, 407, 408, 409, 410, 411, and 412 of title 46 of the United States Code relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances thereof; to the Committee on Merchant Marine, Radio, and Fisheries.

S. 1514. An act authorizing the Administrator of Veterans' Affairs to convey certain lands to Harrison County, Miss.; to the Committee on World War Veterans' Legislation.

S. 1518. An act providing for waiver of prosecution by indictment in certain criminal proceedings; to the Committee on the Judiciary.

S. 1548. An act for the relief of Harry Flanery; to the Committee on Military Affairs.

S. 1562. An act granting the consent of Congress to the Levy Court of Sussex County, Del., to reconstruct a bridge across the Deeps Creek at Cherry Tree Landing, Sussex County, Del.; to the Committee on Interstate and Foreign Commerce.

S. 1564. An act to revive and reenact the act entitled "An act authorizing the Great Falls Bridge Co., to construct, maintain, and operate a bridge across the Potomac River at or near Great Falls", approved April 21, 1928; to the Committee on Interstate and Foreign Commerce.

S. 1581. An act to amend the act approved July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, etc.; to the Committee on the Judiciary.

S. 1587. An act to amend an act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, as amended, by including Roger P. Ames among those honored by said act; to the Committee on Military Affairs.

S. 1634. An act to provide for the redemption of national-bank notes, Federal Reserve bank notes, and Federal Reserve notes which cannot be identified as to the bank of issue; to the Committee on Banking and Currency.

S. 1659. An act to authorize an increase in the number of directors of the Washington Home for Foundlings; to the Committee on the District of Columbia.

S. 1724. An act authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora Grant, N.Mex.; to the Committee on Claims.

S. 1727. An act for the relief of Earl A. Ross; to the Committee on Public Lands.

S. 1728. An act for the relief of Frank P. Ross; to the Committee on the Public Lands.

BILL PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H.R. 5390. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 14 minutes p.m.) the House adjourned until tomorrow, Saturday, May 27, 1933, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. McDUFFIE: Joint Congressional Committee on Veterans' Affairs. H.Rept. 166. A report pursuant to title VII, Public Law No. 212, Seventy-second Congress, approved June 30, 1932, and in conformity with the provisions of Senate Joint Resolution 262, Seventy-second Congress, approved March 3, 1933 (Rept. No. 166). Referred to the Committee of the Whole House on the state of the Union.

Mr. McKEOWN: Committee on the Judiciary. S. 687. An act providing for the establishment of a term of the District Court of the United States for the Southern District of Florida at Orlando, Fla.; without amendment (Rept. No. 167). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. GRAY: A bill (H.R. 5800) to restore and stabilize commodity values and the price level; to the Committee on Banking and Currency.

By Mr. SCRUGHAM: A bill (H.R. 5801) to add to the purchasing power of the Nation and to uphold and support the President in his declaration for restoration of wages to meet the rising commodity price levels, and for other purposes; to the Committee on Expenditures in the Executive Departments.

By Mr. HOWARD: A bill (H.R. 5802) to provide for the purchase of adjusted-service certificates by the Reconstruction Finance Corporation, and for other purposes; to the Committee on Ways and Means.

By Mr. AYERS of Montana: A bill (H.R. 5803) to amend section 36, part 4, of the Emergency Farm Mortgage Act of 1933; to the Committee on Agriculture.

By Mr. HOLMES: A bill (H.R. 5804) providing for the purchase of a site and the erection thereon of a public building to be used as a parcel-post station and garage by the post office at Worcester, Mass.; to the Committee on Public Buildings and Grounds.

By Mr. STEAGALL: Joint resolution (H.J.Res. 192) to assure uniform value to the coins and currencies of the United States; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BURKE of California: A bill (H.R. 5805) granting a pension to Harriett A. Miller; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5806) for the relief of James Bradley; to the Committee on Military Affairs.

By Mr. KOPPELMANN: A bill (H.R. 5807) for the relief of William Rusk; to the Committee on Naval Affairs.

By Mr. MAPES: A bill (H.R. 5808) for the relief of Fay A. Cushman; to the Committee on Military Affairs.

By Mr. TURNER: A bill (H.R. 5809) to provide compensation for Robert Rayford Wilcoxson for injuries received in citizens' military training camp; to the Committee on Military Affairs.

By Mr. WADSWORTH: A bill (H.R. 5810) to authorize the presentation of the Congressional Medal of Honor to Clarence R. Oliver; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1198. By Mr. ANDREW of Massachusetts: Petition of the City Council of Worcester, Mass., memorializing Congress to enact House Joint Resolution 191 and Senate Joint Resolution 104, providing for a special series of postage stamps to commemorate the one hundred and fiftieth anniversary of the naturalization of General Kosciusko as an American citizen and his appointment as brigadier general in the Revolutionary Army; to the Committee on the Post Office and Post Roads.

1199. By Mr. DONDERO: Resolution of the Charles Edwards Post, No. 14, American Legion, Birmingham, Mich., expressing itself as unalterably opposed to any proposed legislation contemplating a reduction, by furlough or otherwise, of the personnel of the Regular Army and Navy, or the elimination of field training of the National Guard, or a reduction of the present armory training, etc.; to the Committee on Military Affairs.

1200. By Mr. HOEPPEL: Petition of the San Francisco Signal Post, American Signal Corps Association, San Francisco, Calif., urging that necessary economies be effected only in a manner which will, at the same time, preserve our Military Establishment and produce a system for adequate preparedness; to the Committee on Military Affairs.

1201. By Mr. HOLMES: Resolution of the city of Worcester, Mass., memorializing Congress to enact House Joint Resolution 191 and Senate Joint Resolution 105 to commemorate the one hundred and fiftieth anniversary of the naturalization as an American citizen in 1773 and appointment of brevet brigadier general of Thaddeus Kosciusko, a hero of the Revolutionary War, by issuing special series of postage stamps in honor of said Thaddeus Kosciusko; to the Committee on the Post Office and Post Roads.

1202. By Mr. KENNEY: Petition of Polish-American Democratic Club of Cliffside Park, N.J., that immediate investigation be made by the Federal authorities of the financial conditions of the Cliffside Park National Bank of the Borough of Cliffside Park and the Fairview National Bank of the Borough of Fairview, and that such action be taken as they deem necessary for the immediate reopening of the aforesaid institutions; to the Committee on Banking and Currency.

1203. By Mr. HIGGINS: Resolution of Loyalty Council No. 52, Sons and Daughters of Liberty, favoring the passage of House bill 4114 to further restrict immigration to the United States; to the Committee on Immigration and Naturalization.

1204. By Mr. LUDLOW: Petition of the Indianapolis Unit of Junior Hadassah to the United States Government, to make official protest against the treatment accorded Jews in Germany; to the Committee on Foreign Affairs.

1205. By Mr. MALONEY of Connecticut: Resolution of the Woodrow Wilson Club of Hartford, Conn., protesting against the treatment of Jews in Germany; to the Committee on Foreign Affairs.

1206. By Mr. RUDD: Petition of Hope Council, No. 5, Sons and Daughters of Liberty, Brooklyn, N.Y., favoring the passage of the Dies bill, H.R. 4114; to the Committee on Immigration and Naturalization.

1207. By Mr. SMITH of West Virginia: Resolutions of the Mercer Clearing House Association, of Bluefield, W.Va., opposing any further extension of activities, power, and scope of the Postal Savings System; to the Committee on the Post Office and Post Roads.

1208. By Mr. WOLCOTT: Petition of Port Huron district, Holy Name Society, protesting against the recognition of Russia by the United States Government; to the Committee on Foreign Affairs.

SENATE

SATURDAY, MAY 27, 1933

(Legislative day of Monday, May 15, 1933)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

Mr. DILL. Mr. President, I make the point of no quorum.

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Coolidge	Kendrick	Robinson, Ark.
Ashurst	Copeland	Keyes	Robinson, Ind.
Austin	Costigan	King	Russell
Bailey	Couzens	La Follette	Schall
Bankhead	Dickinson	Logan	Sheppard
Barbour	Dieterich	Lonergan	Shipstead
Barkley	Dill	Long	Smith
Black	Duffy	McAdoo	Steiwer
Bone	Erickson	McCarran	Stephens
Borah	Fess	McGill	Thomas, Okla.
Bratton	Fletcher	McKellar	Thomas, Utah
Brown	Frazier	McNary	Thompson
Bulkley	George	Metcalf	Townsend
Bulow	Glass	Murphy	Trammell
Byrd	Goldsborough	Neely	Vandenberg
Byrnes	Gore	Norris	Van Nuys
Capper	Hale	Nye	Wagner
Caraway	Hatfield	Overton	Walsh
Carey	Hayden	Pope	Wheeler
Clark	Johnson	Reed	White
Connally	Kean	Reynolds	

Mr. LA FOLLETTE. I desire to announce that the Senator from New Mexico [Mr. CUTTING] is absent because of a temporary indisposition.

Mr. MURPHY. I desire to announce the unavoidable absence of the junior Senator from Tennessee [Mr. BACHMAN] on account of a temporary indisposition. I ask that this announcement may stand for the day.

Mr. KENDRICK. I desire to announce that the Senator from Mississippi [Mr. HARRISON] is necessarily detained from the Senate.

I also wish to announce that the Senator from Maryland [Mr. TYDINGS], the Senator from Illinois [Mr. LEWIS], and the Senator from Nevada [Mr. PITTMAN] are detained from the Senate on official business.

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

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. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, in which it requested the concurrence of the Senate.