agricultural, cooperative, and similar non-profit-making associations in the granting of radio licenses; to the Committee on Merchant Marine, Radio, and Fisheries.

3801. Also, petition of Frances J. Shroup and numerous other citizens of Butler and Herman, Pa., favoring the amendment to Senate bill 2910 to eliminate monopoly and to insure equality of opportunity and consideration for educational, religious, agricultural, cooperative, and similar non-profit-making associations in the granting of radio licenses; to the Committee on Merchant Marine, Radio, and Fisheries.

3802. By Mr. TREADWAY: Resolution adopted by the General Court of Massachusetts, memorializing Congress in favor of direct loans to industry by the Reconstruction Finance Corporation; to the Committee on Banking and Currency.

3803. By the SPEAKER. Petition of the American Society for Pharmacology and Experimental Therapeutics; to the Committee on Interstate and Foreign Commerce.

3804. Also, petition of California Progressives, regarding the cancelation of air-mail contracts; to the Committee on the Post Office and Post Roads.

3805. Also, petition of the Vera Cruz Council, No. 647, Knights of Columbus; to the Committee on Merchant Marine, Radio, and Fisheries.

SENATE

THURSDAY, APRIL 12, 1934

(Legislative day of Wednesday, Mar. 28, 1934)

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

CALL OF THE ROLL

Mr. LEWIS. I note the absence of a quorum and ask for a roll call.

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

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Couzens	Kean	Pope
Ashurst	Cutting	Keyes	Robinson, Ind.
Bachman	Davis	King	Russell
Bailey	Dickinson	La Follette	Schall
Bankhead	Dill	Lewis	Sheppard
Barbour	Duffy	Logan	Shipstead
Barkley	Erickson	Lonergan	Smith
Bone	Fess	Long	Steiwer
Borah	Frazier	McCarran	Stephens
Brown	George	McGill	Thomas, Okla.
Bulkley	Gibson	McKellar	Thomas, Utah
Bulow	Goldsborough	McNary	Thompson
Byrd	Gore	Metcalf	Townsend
Byrnes	Hale	Murphy	Vandenberg
Capper	Harrison	Neely	Van Nuys
Caraway	Hastings	Norbeck	Wagner
Carey	Hatch	Norris	Walcott
Clark	Hatfield	Nye	Walsh
Connally	Hayden	O'Mahoney	
Copeland	Hebert	Overton	
Costigan	Johnson	Pittman	

Mr. LEWIS. I announce the absence of the Senator from Arkansas [Mr. ROBINSON], who has been detained by a rather serious illness in his family. I ask that this announcement stand for the day.

I also announce the absence of the Senator from California [Mr. MCADOO], the junior Senator from Florida [Mr. TRAMMELL], my colleague the junior Senator from Illinois [Mr. DIETERICH], the Senator from Maryland [Mr. TYDINGS], the Senator from Alabama [Mr. BLACK], the Senator from Massachusetts [Mr. COOLIDGE], the senior Senator from Florida [Mr. FLETCHER], the Senator from Virginia [Mr. GLASS], and the Senator from North Carolina [Mr. REYNOLDS], who have been called away on official business.

I regret to announce the absence of the Senator from Montana [Mr. WHEELER], occasioned by illness.

Mr. HEBERT. I wish to announce that the Senator from Pennsylvania [Mr. REED] and the Senator from Missouri [Mr. PATTERSON] are necessarily absent.

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

PETITIONS AND MEMORIALS

The PRESIDENT pro tempore laid before the Senate a memorial of several citizens of Muskogee, Okla., remonstrating against the passage of the bill (S. 2926) to equalize the bargaining power of employers and employees, to encourage the amicable settlement of disputes between employers and employees, to create a National Labor Board, and for other purposes, which was referred to the Committee on Education and Labor.

Mr. WALSH presented a petition of sundry citizens of Springfield, Mass., praying for such amendment of the pure food and drug laws as will assure the public of the continued professional protection of legally responsible registered pharmacists wherever drugs and medicine are supplied, distributed, or offered for sale, which was referred to the Committee on Commerce.

He also presented a resolution adopted by the Manufacturers' Textile Association, Worcester, Mass., protesting against the passage at the present time of the so-called "Wagner bill", being Senate bill 2280, providing for unemployment insurance, which was referred to the Committee on Education and Labor.

He also presented a resolution adopted by the Massachusetts State Council of Carpenters, favoring a speedy termination of the C.W.A. relief program, and that in place thereof the original P.W.A. program be immediately expedited, which was referred to the Committee on Finance.

He also presented a petition of citizens of Worcester, Mass., being members of the congregation of the First Church of Christ, praying for the prompt ratification of the World Court protocols, which was referred to the Committee on Foreign Relations.

He also presented the memorial of the Massachusetts Indian Association, Boston, Mass., remonstrating against the passage of the bill (H.R. 7902) to grant to Indians living under Federal tutelage the freedom to organize for purposes of local self-government and economic enterprise, to provide for the necessary training of Indians in administrative and economic affairs, to conserve and develop Indian lands, and to promote the more effective administration of justice in matters affecting Indian tribes and communities by establishing a Federal Court of Indian Affairs, which was refered to the Committee on Indian Affairs.

He also presented a resolution adopted by the City Council of Revere, Mass., favoring the passage of the bill (H.R. 7986) to amend the Radio Act of 1927, approved February 23, 1927, as amended (44 Stat. 1162), which was referred to the Committee on Interstate Commerce.

He also presented a resolution adopted by the Manufacturers' Textile Association Worcester, Mass., protesting against the passage of the so-called "Capper truth-in-fabric bill", which was referred to the Committee on Interstate Commerce.

He also presented the petition of members of Pioneer Lodge, No. 238, Brotherhood of Railroad Trainmen, of Springfield, Mass., favoring amendment of the Railway Labor Act and the passage of legislation providing for the 6-hour day and other matters for the benefit of trainmen, which was referred to the Committee on Interstate Commerce.

He also presented resolutions adopted by the Woman's Home Missionary Society of Watertown; the Worcester Better Films Council, of Worcester; and the Woman's Christian Temperance Unions of Springfield, Spencer, and Worcester, all in the State of Massachusetts, praying for the passage of the so-called "Patman motion-picture bill", being House bill 6097, providing for higher moral standards for films entering interstate and foreign commerce, which were referred to the Committee on Interstate Commerce.

He also presented resolutions adopted by the Central Political and Social Club, of Boston, Mass., favoring the adoption by the House of Representatives of a resolution submitted by Representative DE PRIEST, of Illinois, to pre-

vent alleged racial discrimination in a restaurant operated in the House wing of the Capitol, which were referred to the Committee on Rules.

RECIPROCAL TARIFF AGREEMENTS—DUTY ON LACES

Mr. HEBERT. I send to the desk a memorial signed by about 500 lace operatives of Rhode Island protesting against the reciprocal tariff bill now pending before Congress. I shall not ask that it be embodied in the RECORD, but I wish to have it noted therein.

The PRESIDENT pro tempore. The memorial will be received, noted in the RECORD, and appropriately referred.

The memorial presented by Mr. HEBERT from about 500 citizens, being lace operatives, of the State of Rhode Island, remonstrating against the passage of the bill (H.R. 8687) to amend the Tariff Act of 1930, especially as it might affect the tariff duty on laces, was referred to the Committee on Finance.

PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

Mr. SCHALL. Mr. President, I ask leave to insert in the RECORD some petitions, numerously signed, sent me by the United States Veterans and Civilians, Inc., of the State of Minnesota, praying for the immediate cash payment of the adjusted-service certificates of ex-service men, and ask that they be referred to the appropriate committee.

There being no objection, the petitions were referred to the Committee on Finance, and the body of one of them was ordered to be printed in the RECORD, without the signatures, as follows:

UNITED STATES VETERANS AND CIVILIANS, INC.,
Minneapolis, Minn.

Petition to Seventy-third Congress of the United States of America:

We, the undersigned veterans and civilians of Minnesota, do hereby petition the Seventy-third Congress of the United States for the immediate cash payment of the adjusted-service certificate, or so-called "bonus bill." We, the undersigned, believe that the immediate passage of this bill will not only greatly aid and stimulate industries throughout the Nation, but will also cause a general resumption of employment, which will greatly benefit the agricultural sections. The immediate payment of the bonus bill will automatically take many thousands of men now on C.W.A. and on State and Government relief off of this form of Government aid, which has been such a great strain on State and National treasuries.

———.

HOME FINANCING

Mr. OVERTON. I send to the desk a resolution adopted by the executive committee of the United States Building and Loan League at a meeting recently held in Washington, D.C., and ask that it may be printed in the RECORD and appropriately referred.

There being no objection, the resolution was referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

Resolution

Whereas the resumption of home-financing activities is a necessary part of the business recovery program of the country; and

Whereas the bulk of the funds for such activities must come from the thrift and savings of the American people to finance the buying, repairing, maintaining, owning, and building of homes; and

Whereas the United States Building and Loan League represents approximately 4,000 thrift and home-financing institutions which in their existence have financed over 8,000,000 American homes, and which today hold on behalf of their members 65 percent of the small home loans in the country; and

Whereas the executive committee of the league, including representatives of 42 States, are formally assembled in Washington, D.C., in response to the call of President Lieber; and

Whereas it is the judgment of the committee that a comprehensive program is desirable, looking to a resumption of activity on the part of thrift and home-financing institutions: Therefore be it

Resolved, That the committee propose and offer its complete cooperation to the President of the United States in carrying out the following program:

(1) A guarantee of the principal of Home Owners' Loan Corporation bonds, with a clear-cut legislative definition of policy as to the citizens entitled to this relief financing, which should be confined to economically unfortunate persons involuntarily in default. (Item covered in S. 2999.)

(2) Additional capital in the aid of employment should be allocated to the Home Owners' Loan Corporation to completely modernize and maintain properties upon which it has made advances. (Estimated at $100,000,000.) (Item covered in S. 2999.)

(3) In the further stimulation of employment growing out of home repairs, home maintenance, and home building provision should be made for the liberal purchase of shares in Federal savings and loan associations and in institutions affiliated with and under the supervision of the Federal home loan bank system. (Estimated at $300,000,000.) (Item partially covered in S. 2999.)

(4) Additional funds should be provided for the Federal home loan banks in order that they may continue their expanding services. (Estimated at $200,000,000.) (Item covered in S. 2999.)

(5) Insurance of savings and loan shares for such institutions affiliated with the Federal home loan bank system as desire to purchase this protection for their investing members. This proposal would result in an increased confidence in thrift and home-financing institutions and divert at least a portion of the savings of the people into these institutions by giving them similar protection to that enacted for banking institutions. One of the reasons for the scarcity of home-mortgage capital has been large inactive savings in banks which do not make home-mortgage loans. (Estimated at $100,000,000.)

(6) Establishment of a system of boards of conciliation to serve without pay as a part of the Home Owners' Loan Corporation to increase its services to home mortgagors and home mortgagees. (No cost.)

(7) A small fund to be used by the Federal Home Loan Bank Board in encouraging home maintenance, home buying, and home owning under sound supervision and planning. (Estimated, $500,000.) (Item adequately covered in S. 2999.)

This program, involving $600,500,000, could begin to operate broadly in every part of the country without encouraging speculative building excesses. Carrying on the program through existing institutions would be both timely and efficient, especially where advances are made leading to the employment of labor. The program would also put thousands of local institutions into activity and the funds made available by the Government would be substantially augmented by thrift savings. The projects, being self-liquidating, would repay the Government, amply secured, its entire cost of capital.

I hereby certify that the above is a true and correct copy of a resolution adopted by the executive committee of the United States Building and Loan League at a meeting held in the city of Washington, D.C., on the 27th day of February 1934.

H. F. CELLARIUS,
Secretary-Treasurer.

THE STEEL CODE

Mr. DUFFY. I ask unanimous consent to have printed in the RECORD and to lie on the table a very brief letter pertaining to the steel code. The writer has given a great deal of attention to social and industrial problems and, I think, presents an interesting viewpoint.

There being no objection, the letter was ordered to lie on the table and to be printed in the RECORD, as follows:

ALLIS-CHALMERS MANUFACTURING CO.,
Milwaukee, Wis., March 29, 1934.

Senator F. RYAN DUFFY,
Senate Office Building, Washington, D.C.

DEAR RYAN: We understand that Senator BORAH has recently introduced a resolution directing the Federal Trade Commission to investigate the steel code with reference to the subject of effect of the code upon the "little fellow."

In code experience I have come to the conclusion that a proper definition of a "little fellow" is one who is smaller than a competitor. Thus, although we are regarded as a large corporation in the Wisconsin picture, nevertheless we are distinctly a little fellow in the national picture.

In view of that fact it seems proper for us to advise you that the steel code has not worked to our disadvantage in competition with our larger competitors. On the other hand, we feel we have the assurance that we are on a parity with all competitors in the purchase of materials covered by the code in question.

With best regards, I am very truly yours,

H. W. STORY, *General Attorney.*

REPORTS OF COMMITTEES

Mr. DUFFY, from the Comittee on Military Affairs, to which was referred the bill (S. 1338) for the relief of John F. Patterson, reported it without amendment and submitted a report (No. 709) thereon.

Mr. VAN NUYS, from the Committee on the Judiciary, to which was referred the bill (S. 1978) to assure to persons within the jurisdiction of every State the equal protection of the laws, and to punish the crime of lynching, reported it with amendments and submitted a report (No. 710) thereon.

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (S. 2972) for the relief of John N. Knauff Co., Inc., reported it without amendment and submitted a report (No. 711) thereon.

He also, from the same committee, to which was referred the bill (S. 2431) for the relief of the estate of Joseph Y.

Underwood, reported it with amendments and submitted a report (No. 712) thereon.

Mr. GIBSON, from the Committee on Claims, to which was referred the bill (S. 3335) for the relief of Joanna A. Sheehan, reported it without amendment and submitted a report (No. 713) thereon.

He also, from the Committee on Claims, to which was referred the bill (S. 2725) for the relief of the legal beneficiaries and heirs of Mrs. C. A. Toline, reported it with amendments and submitted a report (No. 714) thereon.

Mr. CAPPER, from the Committee on Claims, to which was referred the bill (S. 3264) for the relief of Muriel Crichton, reported it with an amendment and submitted a report (No. 715) thereon.

He also, from the same committee, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

S. 3128. An act to pay certain fees to Maude G. Nicholson, widow of George A. Nicholson, late a United States commissioner (Rept. No. 716);

H.R. 1418. An act for the relief of W. C. Garber (Rept. No. 717); and

H.R. 2337. An act for the relief of Harry L. Haberkorn (Rept. No. 718).

Mr. BULKLEY, from the Committee on Foreign Relations, to which was referred the bill (S. 380) for the relief of certain officers and employees of the Foreign Service of the United States who, while in the course of their respective duties, suffered losses of personal property by reason of catastrophes of nature, reported it without amendment and submitted a report (No. 719) thereon.

Mr. COPELAND, from the Committee on Immigration, to which was referred the bill (S. 2692) relating to the record of registry of certain aliens, reported it with amendments.

He also, from the same committee, to which was referred the bill (S. 3346) to amend the naturalization laws with respect to records of registry and residence abroad, reported it without amendment.

ENROLLED BILLS AND JOINT RESOLUTION PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on the 11th instant that committee presented to the President of the United States the following enrolled bills and joint resolution:

S. 193. An act to amend section 586c of the act entitled "An act to amend subchapter 1 of chapter 18 of the Code of Laws for the District of Columbia relating to degree-conferring institutions", approved March 2, 1929;

S. 194. An act to change the name of B Street SW., in the District of Columbia;

S. 1820. An act to amend the Code of Law for the District of Columbia;

S. 1983. An act to authorize the revision of the boundaries of the Fremont National Forest in the State of Oregon;

S. 2006. An act for the relief of Della D. Ledendecker;

S. 2057. An act authorizing the sale of certain property no longer required for public purposes in the District of Columbia;

S. 2509. An act to readjust the boundaries of Whitehaven Parkway at Huidekoper Place in the District of Columbia, provide for an exchange of land, and for other purposes;

S. 2545. An act to extent the times for commencing and completing the construction of a bridge across the Columbia River at or near Astoria, Oreg.;

S. 2571. An act authorizing the Secretary of the Interior to arrange with States or Territories for the education, medical attention, relief of distress, and social welfare of Indians, and for other purposes;

S. 2675. An act creating the Cairo Bridge Commission and authorizing said commission and its successors to construct, maintain, and operate a bridge across the Ohio River at or near Cairo, Ill.;

S. 2857. An act to amend an act entitled "An act to incorporate the Mutual Fire Insurance Co. of the District of Columbia", as amended; and

S.J.Res. 15. Joint resolution extending to the whaling and fishing industries certain benefits granted under section 11 of the Merchant Marine Act, 1920, as amended.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session,

Mr. NEELY, from the Committee on the Judiciary, reported favorably the nomination of Howard L. Robinson, of West Virginia, to be United States attorney, northern district of West Virginia, to succeed Arthur Arnold, term expired.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nomination of Bernard R. Duncan to be postmaster at Linden, Tenn., in place of Eva Shelton.

The PRESIDENT pro tempore. The reports will be placed on the Executive Calendar.

BILLS INTRODUCED

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

By Mr. JOHNSON:

A bill (S. 3349) conferring jurisdiction upon the Court of Claims to hear and determine the claim of the Mack Copper Co.; to the Committee on Claims.

By Mr. OVERTON:

A bill (S. 3350) for the relief of Mrs. G. A. Brannan; to the Committee on Claims.

By Mr. ERICKSON:

A bill (S. 3351) to authorize the Secretary of the Interior to turn over to a water users' association or unit thereof or other proper organization the operation of the several units of the irrigation project on the Blackfeet Indian Reservation, Mont., and for other purposes; to the Committee on Indian Affairs.

By Mr. DICKINSON:

A bill (S. 3352) granting a pension to Emily D. Spencer; to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

A bill (S. 3353) for the relief of the heirs of George Spybuck, deceased; to the Committee on Claims.

A bill (S. 3354) providing for the distribution of funds awarded in judgment to the Creek Nation of Indians; to the Committee on Indian Affairs.

By Mr. BARKLEY:

A bill (S. 3355) to authorize the coinage of 50-cent pieces in commemoration of the two hundredth anniversary of the birth of Daniel Boone; to the Committee on Banking and Currency.

By Mr. NYE:

A bill (S. 3356) to prohibit the carriage of articles and commodities in vessels of the United States in certain cases; to the Committee on Commerce.

By Mr. BAILEY:

A bill (S. 3357) authorizing the adjustment of the claim of the Moffat Coal Co. (with accompanying papers); to the Committee on Claims.

By Mr. WALSH (for Mr. TRAMMELL):

A bill (S. 3358) to provide for promotion by selection in the line of the Navy in the grades of lieutenant commander and lieutenant; to authorize appointment as ensigns in the line of the Navy all midshipmen who hereafter graduate from the Naval Academy; and for other purposes; to the Committee on Naval Affairs.

By Mr. BYRD:

A bill (S. 3359) for the relief of the D. F. Tyler Corporation and the Norfolk Dredging Co.; to the Committee on Claims.

REVISION OF AIR-MAIL LAWS—AMENDMENT

Mr. McCARRAN submitted an amendment in the nature of a substitute intended to be proposed by him to the bill (S. 3170) to revise air-mail laws, which was ordered to lie on the table and to be printed.

COMMITTEE TO GREET THE PRESIDENT

Mr. CONNALLY. Mr. President, the senior Senator from Arkansas [Mr. ROBINSON] is detained from the Senate because of illness in his family. He has asked me to announce,

in his absence, that the President will return tomorrow from his vacation, and an informal committee has been appointed to make arrangements to meet the President at the Union Station at 9:30 a.m., a committee on the part of the Senate as well as one on the part of the House. It is composed of the Senator from Arkansas [Mr. ROBINSON], the Senator from Texas [Mr. CONNALLY], the Senator from Connecticut [Mr. LONERGAN], and the Senator from Iowa [Mr. MURPHY], together with the Sergeant at Arms and the Secretary of the Senate. On the part of the House, an informal committee has been named consisting of Representatives GREENWOOD, WOODRUM, BYRNS, DICKSTEIN, and LOZIER, and the Sergeant at Arms.

It is suggested that such Senators as desire to join in welcoming the President—and we hope the minority will be represented by those Senators who can be present—meet in the President's room at the Union Station tomorrow morning at 9:30 o'clock, simply to greet the President on his return. Then they may retire to their offices or to the Senate.

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

Mr. CONNALLY. I yield.

Mr. BORAH. Will the Senator read again the committee appointed from the Senate?

Mr. CONNALLY. I undertook to say that it was not an official committee, that it was purely unofficial. I will read the names if the Senator desires. It is not a committee appointed by the Senate at all, but simply an unofficial company to make arrangements.

Mr. BORAH. I do not understand why the Senator should appoint a committee to meet the President and confine it exclusively to the Democratic side.

Mr. CONNALLY. I had nothing to do with the composition of the committee. As I understand, the Senator from Arkansas selected this informal committee, not giving it the sanction of appointment by the Senate, and there is nothing official about the welcome. I undertook to point out that the committee was to be at the station and that other Senators who desired to come would be welcome.

Mr. BORAH. I still do not understand where this committee comes from. Who appointed it?

Mr. CONNALLY. I said that the Senator from Arkansas selected it.

Mr. BORAH. I do not understand why the Senator from Arkansas should select a committee of this kind composed entirely of Democrats to greet the President on his return.

Mr. CONNALLY. So far as I am concerned, I will be very glad to include the Senator from Idaho as a member of the committee.

Mr. HARRISON. Mr. President, will the Senator from Texas yield to me?

Mr. CONNALLY. I yield.

Mr. HARRISON. I am quite sure the Senator from Arkansas meant to show no discourtesy to anyone. He merely requested the three Senators named to be sure to be at the station to meet the President and asked the Senator from Texas to extend an invitation to other Members of the Senate who could be there. It does not seem to me that the Senator from Arkansas has shown any discourtesy at all.

Mr. McNARY. Mr. President, I was not present when the statement was made by the Senator from Texas, but in fairness to the Senator from Arkansas I may state that he spoke to me yesterday about the return of the President, and to me he expressed the desire that the Republican Members of the Senate should cooperate in the welcome. I say this in fairness to the Senator from Arkansas, and I thought that he would probably mention it in person today on the floor of the Senate. I am sure that I can say for him that no discourtesy was intended to this side of the Chamber.

Mr. BORAH. I did not suppose any discourtesy was intended, but it seemed to me rather extraordinary to read in the Senate the names of a committee appointed to meet the President, composed entirely of Senators from the Democratic side.

Mr. McNARY. I am not conversant with any committee that has been named, that matter was not discussed, but I can say, in fairness to the Senator from Arkansas, that he did notify me yesterday of the plan to welcome the President on his return.

Mr. CONNALLY. Mr. President, I am acting simply in the absence of the Senator from Arkansas, and I desire to confirm what has been said by the Senator from Oregon [Mr. McNARY]. My understanding is that the Senator from Arkansas conferred with the Senator from Oregon before these arrangements were at all undertaken. It was clearly understood that it was not the appointing of a Senate committee, it was purely a voluntary matter, to notify the Senators to be present. The Senators named were simply requested to see that the arrangements were made for such Senators as desired to be present.

I am sure the Senator from Arkansas did not contemplate or intend any discourtesy to Senators. On the other hand, he expressly requested that Senators on both sides of the aisle be invited to be present, and asked that they be asked to cooperate. That is as clear as I can make it.

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

Mr. CONNALLY. I yield.

Mr. LOGAN. By whom were they to be invited, may I ask? If this is purely a private matter, and a private committee, what I want to know is why it is referred to in the Senate at all. Has the Senate appointed anybody?

Mr. CONNALLY. No.

Mr. LOGAN. The Senate has nothing to do with it, and as I understand, the Senator from Texas is merely making an announcement of what has been done by individuals.

Mr. CONNALLY. That is true.

Mr. LOGAN. Inasmuch as there was no action of the Senate, I do not see any occasion for referring to it in the Senate. Anybody who desires can get up a committee.

Mr. CONNALLY. Let me say to the Senator from Kentucky that, instead of sending engraved invitations to each Member of the Senate, I thought it not inappropriate simply to make an announcement of the fact. If that has offended anyone, or if anybody has had his feelings disturbed or ruffled, I am very sorry about it.

Mr. LONG. A point of order.

Mr. LOGAN. I am not offended. I simply did not see why it should be referred to in the Senate.

The PRESIDENT pro tempore. The Senator from Louisiana will state his point of order.

Mr. LONG. Where does all this "hurrally" come in on account of the President coming back to the city? What have we to do with it? Let him go and come when he gets ready.

The PRESIDENT pro tempore. The point of order is overruled.

Mr. LEWIS. Mr. President, I ask for a moment of order while I make an announcement.

Unhappily, this matter has been confused for lack of a complete understanding. I think it is quite evident that some of us can speak knowingly, that the object of the Senator from Arkansas was that in the event of some of the Democratic Senators wishing to go to the station to welcome the President, there should be no uncertainty, each thinking the other might go, and he designated certain Senators on the theory that they possibly would have time. He left to the leader of the opposition, the distinguished Senator from Oregon, to make such suggestion as he chose to his fellow Senators, to determine which ones would find it agreeable and convenient to joint those who had been designated by the leader on the Democratic side. There was nothing more than a suggestion along that line. I assure the Senator from Idaho that it was only on the theory that both sides would find what Senators could find it possible to go to greet the President without inconveniencing themselves in their engagements. That was the only object the Senator had in making the suggestion.

LIMITATION OF COTTON ACREAGE

Mr. FESS. Mr. President, during the discussion of the bill for the compulsory reduction of cotton acreage, some of us raised the question whether it would be of any particular benefit to the American cotton grower, but we did not have much doubt that it would be beneficial to the foreign cotton grower.

There appeared in the New York Times of Sunday last an article with the date line of Buenos Aires, commenting upon this legislation as it will affect favorably the cotton growers of South America. The article is about a quarter of a column in length, and if there is no objection I should like to have it read at the desk.

The PRESIDENT pro tempore. In the absence of objection, the article will be read.

The legislative clerk read as follows:

[From the New York Times of Sunday, Apr. 8, 1934]

ARGENTINA URGES BIG COTTON CROP—WANTS ACREAGE INCREASED IN EFFORT TO BUILD UP NEW TEXTILE INDUSTRY—INTERESTED IN OUR PLANS—FARMERS TOLD CURTAILMENT HERE MEANS BROADER MARKET FOR THEIR CROPS

By John W. White

BUENOS AIRES, March 30.—Argentina is watching with enthusiastic satisfaction the efforts made to reduce cotton acreage in the United States. News of every move in that direction is accompanied by editorials urging Argentine farmers to raise more cotton and assuring them that new markets are theirs for the asking.

Cotton is a new crop in Argentina and 96 percent of the production comes from the northern territory of the Gran Chaco, which is the southern portion of that vast Chaco area for which Bolivia and Paraguay are fighting north of the Pilcomayo River. Argentina is already producing nearly enough cotton to supply its textile mills, and it exported 28,000 tons of unginned cotton in 1932, most of it going to Great Britain and Germany.

TEXTILE INDUSTRY GROWING

The textile industry is rapidly becoming one of the most important manufacturing activities in Argentina. As part of the country's recovery plan, the Government is urging farmers to grow more cotton, at the same time urging the public to use more locally manufactured textiles. This is only one branch of importation which the national government is trying to curtail in its effort to preserve the trade balance needed to pay the services on the public debt.

But it is as a phase of awakening industrial consciousness that the newspapers are urging increased cotton production to feed more mills, to the end that Argentina may even export cotton textiles. They believe that this country can compete successfully in the sale of textiles to the Pacific coast republics. The following editorial from La Opinion, of Resistencia, capital of the Chaco territory, is typical:

"The recent abundant and opportune rains have been extremely beneficial for the cotton fields. Unless there are unforeseen difficulties these rains will produce an abundant crop. Certain plagues often cause widespread ruin for the producers, sometimes even destroying most of the crops. But unless these plagues appear this year, there is every reason to expect a fine crop. The outlook is very promising, especially as cotton is being sold at prices much higher than former years.

OUR CROP CUT A BENEFIT

"The optimism of growers is all the more well founded in view of the plan of the United States Government to reduce that country's cotton production by about 25 percent. This reduction will have a favorable effect on our country and must necessarily be of benefit to the cotton growers of our northern territories.

"This logical and desirable recompense for the efforts of the Chaco cotton growers is certain to be a stimulus for those planters who for several years have been working to improve the quality of their cotton. In view of the progress which the textile industry is making in our country, and also in view of the fact that there are markets on the Pacific coast which could be supplied with our cotton goods, our cotton production must be increased, by both extensive and intensive cultivation. Argentina has a magnificent future as a manufacturing country. Therefore it is necessary to increase the cultivation of our textiles on a much vaster scale."

Mr. FESS. Mr. President, the reason why I desired to have this dispatch from Buenos Aires read is that it bears upon our discussion as to who would benefit from legislation that would, in a compulsory manner, reduce the American production of cotton. I was concerned—though not because of any particular interest in cotton, except as an American product—as to how the reduction of our product, in view of the fact that so much of it is exported, would benefit the American grower. I could understand how anything that would stimulate the production of cotton in other countries would tend to supply the markets of the other countries, and to that degree take away those markets from us; and for that reason I had feared that the legislation would be beneficial to the foreign grower, while it seemed to me it might operate in exactly the opposite way as to the American grower.

This article appears to me to evidence the judgment of the foreign growers of cotton that our legislation is greatly for their benefit rather than of our own producers.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 163. An act for the relief of Capt. Guy M. Kinman; and

S. 3209. An act limiting the operation of sections 109 and 113 of the Criminal Code and section 190 of the Revised Statutes of the United States with respect to counsel in the case of United States of America against Weirton Steel Co. and other cases.

The message also announced that the House had passed the following bills and joint resolution, in which it requested the concurrence of the Senate:

H.R. 2416. An act for the relief of Mrs. George Logan and her minor children, Lewis and Barbara Logan;

H.R. 2541. An act for the relief of Robert B. James;

H.R. 2561. An act for the relief of G. Elias & Bro., Inc.;

H.R. 2682. An act for the relief of Bonnie S. Baker;

H.R. 2689. An act for the relief of Edward Shabel, son of Joseph Shabel;

H.R. 2692. An act for the relief of Lula A. Densmore;

H.R. 2748. An act for the relief of A. C. Francis;

H.R. 2749. An act for the relief of E. B. Rose;

H.R. 2750. An act for the relief of Scott C. White;

H.R. 3161. An act for the relief of Henry Harrison Griffith;

H.R. 3300. An act for the relief of George B. Beaver;

H.R. 3302. An act for the relief of John Merrill;

H.R. 3345. An act to authorize the Department of Agriculture to issue a duplicate check in favor of the Mississippi State treasurer, the original check having been lost;

H.R. 3551. An act for the relief of T. J. Morrison;

H.R. 3579. An act for the relief of O. S. Cordon;

H.R. 3580. An act for the relief of Paul Bulfinch;

H.R. 3611. An act for the relief of Frances E. Eller;

H.R. 3614. An act for the relief of Clara C. Talmadge;

H.R. 3636. An act for the relief of Thelma Lucy Rounds;

H.R. 3705. An act for the relief of Julia E. Smith;

H.R. 3748. An act for the relief of Mary Orinski;

H.R. 3749. An act for the relief of Hunter B. Glasscock;

H.R. 3868. An act for the relief of Arabella E. Bodkin;

H.R. 3900. An act authorizing the Secretary of the Treasury to pay certain subcontractors for material and labor furnished in the construction of the post office at Las Vegas, Nev.;

H.R. 3952. An act for the relief of Grace P. Stark;

H.R. 3992. An act for the relief of C. A. Betz;

H.R. 4060. An act for the relief of Ellen Grant;

H.R. 4519. An act for the relief of C. W. Mooney;

H.R. 4659. An act for the relief of Carleton-Mace Engineering Corporation;

H.R. 4793. An act for the relief of Moses Israel;

H.R. 4832. An act for the relief of Edgar Sampson;

H.R. 4846. An act for the relief of Joseph Dumas;

H.R. 4847. An act for the relief of Galen E. Lichty;

H.R. 4928. An act for the relief of the Palmetto Cotton Co.;

H.R. 5284. An act for the relief of the Playa de Flor Land & Improvement Co.;

H.R. 5299. An act for the relief of Orville A. Murphy;

H.R. 5310. An act for the relief of John P. Seabrook;

H.R. 5405. An act for the relief of Nicola Valerio;

H.R. 5689. An act providing for the advancement in rank of Frederick L. Caudle on the retired list of the United States Navy;

H.R. 6246. An act granting 6 months' pay to Annie Bruce;

H.R. 6863. An act for the relief of W. B. Fountain;

H.R. 6871. An act for the relief of Austin L. Tierney;

H.R. 7437. An act for the relief of E. C. West; and

H.J.Res. 315. Joint resolution granting consent of Congress to an agreement or compact entered into by the State of New York with the Dominion of Canada for the establishment of the Buffalo and Fort Erie Public Bridge Authority, with power to take over, maintain, and operate the present highway bridge over the Niagara River between the city of Buffalo, N.Y., and the village of Fort Erie, Canada.

The message further announced that the House had agreed to a concurrent resolution (H.Con.Res. 35) requesting the President to return to the House of Representatives the bill (H.R. 3521), for the purpose of correcting an error in said bill, in which it requested the concurrence of the Senate.

DR. WILLIAM A. WIRT

Mr. DICKINSON. Mr. President, I ask unanimous consent to have printed in the RECORD certain telegrams from Gary, Ind., relative to the reputation of Dr. William A. Wirt, with reference to whether or not Dr. Wirt was ever confined in jail. The communications are from the Commercial Club, from a Catholic rector, from an editor, and from other distinguished citizens.

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

"Any charge that Dr. William A. Wirt was in jail in Gary for un-American acts or utterances during the World War period is utterly unfounded. I was mayor of Gary in 1917 and am the present mayor. No man stands higher in the esteem of the people of Indiana than Dr. Wirt." (Signed by R. O. Johnson.)

"I have been a resident and banker in Gary for 19 years, actively identified with the Democratic Party. Was a member of a conscription board during the war. Have known Dr. Wirt since I came here. He was neither imprisoned nor interned during the war or at any time during my residence in Gary. He is a true American." (Signed by Harry L. Arnold.)

"I have known William A. Wirt for 24 years and can say there is no more patriotic American than he. He was not under arrest during the war nor was his name ever brought under suspicion. On the contrary, he served his country as fearlessly during the war as he does in times of peace. I have complete confidence in Mr. Wirt's patriotism and sincerity, and I believe I have been so placed as to be a competent judge of both." (Signed by H. B. Snyder, editor of Post Tribune.)

"I have been Dr. Wirt's personal attorney for 27 years. Was mayor of Gary during the World War. Dr. Wirt was neither imprisoned nor interned in the Gary jail during the war for pro-Germanism nor any other cause. His Americanism has never been questioned by anyone here. He is regarded as an outstanding educational and intellectual leader throughout Indiana and the Nation as well as in our community." (Signed by William F. Hodges.)

"I have been a resident and Catholic parish leader of Gary for 27 years, intimately identified with social, civic, and religious activities of this community. Never heard of Dr. William A. Wirt's being imprisoned or interned for any cause during the war period or any other time." (Signed by Rev. Father Thomas Jansen.)

"The charge made on the floor of the House yesterday that Dr. Wirt because of pro-German tendencies during the war was interned, or even under suspicion, is entirely unfounded and unjust. As a Gary member of the Lake County Council of National Defense during the war I have full knowledge of any charge made during those trying days against any resident of the county, and more especially of Gary, of suspected disloyalty. Dr. Wirt took an active part in every patriotic endeavor during the war." (Signed by H. S. Norton, president of Gary Commercial Club and Chamber of Commerce.)

"I have known Dr. William A. Wirt intimately for 27 years. I was connected with many war activities during the war, and served with Dr. Wirt on the war-stamp drive, he being the chairman for our section. Dr. Wirt is an exceptionally conscientious, painstaking gentleman, and is held in very high regard by our citizens in all walks of life." (Signed by Harry Hall.)

REMOVAL OF TRADE RESTRICTIONS

Mr. REYNOLDS. Mr. President, I ask unanimous consent to have printed in the RECORD an article entitled "Removal of Trade Restrictions Best Way to Recover Prosperity", by Hon. John W. Hester, of Durham, N.C., which article was published in the Washington Evening Star of several days ago.

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

[From the Washington Evening Star]

REMOVAL OF TRADE RESTRICTIONS BEST WAY TO RECOVER PROSPERITY

The action of the House in voting to give the President the power to negotiate reciprocal trade agreements is, according to my way of thinking, one of the most encouraging pieces of legislation that has come from either branch of the Congress during this administration. I hope it makes the grade in the Senate.

Now, I am quite familiar with the stock argument as to the delegation of legislative power to the Executive. And, frankly, it is a delegation of the legislative function to the Executive. However, the history of the exercise of that function on the part of the Congress has been such as to convince the average man that it is useless to expect any sensible legislation on the subject from the Congress. It is known of all that tariff legislation has long since been reduced to the low level of a mere horse-swapping performance, with the outcome depending upon the trading instinct plus the political power of the interest affected.

But there is much to be said now for the delegation of such power that could not be said heretofore. Since the United States saw fit to enact its present tariff law over the protests of practically all of the trading nations of the earth there has been developed a radical change in the machinery for handling tariff matters. There has been a general delegation of the power to make trade agreements to the executive departments in response to the new nationalistic idea that every nation has to go it alone. This change in the general tariff-making machinery on the part of other countries makes it imperative that like machinery be set up in this country, otherwise we are likely to see the trade areas of the earth pre-empted by the countries possessing the more facile and flexible machinery. Hence, it is now a matter of practical necessity that the President be given the trade treaty-making power.

However, I am not primarily interested in the mechanics of the situation. Quite to the contrary, I am more interested in giving nature a chance to overcome man's follies. Furthermore, I am tremendously interested in making it unnecessary for this Government to follow in the wake of the tottering and crumbling European democracies, which becomes the more unavoidable and inevitable in the degree and to the extent that the spiritual and physical forces of the American people are cramped and restricted. A free people and a controlled economy are contradictory in thought and mutually exclusive in fact. I am unwilling to surrender the former for the latter until I am convinced by actual trial that nature's economy is not superior to any man-made, artificial economy. I know that the American people can do hundreds of things more efficiently and more cheaply than any other people on earth. I want to major those activities and ease out of the inefficient and the comparatively more costly activities.

For instance, I can't see any sense in our going counter to nature in trying to produce sugar in this country. Nature gave Cuba and the Philippines the moisture, the soil, and atmosphere or climate in which to grow sugarcane. We had better buy the land involved here in the growth of beets and cane from which sugar is made, give it back to its present owners, their heirs, assigns, and successors in perpetuity and pension their progeny for all time. It would certainly be a saving in dollars and cents. And, on the other hand, the industrial life of America is shot through and through with similar inefficient and unduly costly activities. This acting the wet-nurse to the inefficient and abnormal—yes, unnatural—activities here and abroad is what has caused the dislocation of trade and commerce and the resultant fall of democracies and republics. Republics and democracies are the agencies of free peoples only, and a free people can't be regimented or strait-jacketed. Consequently, republics and democracies fall in direct ratio to the extent of the adoption of coercive and restrictive agricultural, industrial, and commercial measures.

And the theory that overproduction is the cause of our present troubles is inconsistent with the fact that 80 percent of the peoples throughout the earth are undernourished, poorly clad, and inadequately housed. On the contrary, production is not and has never been equal to human needs. We have foolishly obstructed the distribution of what we produce, which has resulted in an overflow at the various points of obstruction.

The United States, with its people regimented and subjected to a controlled economy, is but a giant animal forced to feed upon its own flanks, with the sure prospect that sooner or later a vital part of the body will be reached and death will ensue. You can't obtain Russian objectives without the application of Russian methods. You can't imprison the spirit of America or shackle her activities and at the same time preserve her institutions.

For the foregoing reasons I want to see adopted every device that tends to the removal of trade restrictions. America can make her way in competition with the rest of the world if she is permitted to major those activities in which she excels and be relieved of the load of carrying the inefficient and unnatural. Furthermore, I favor at the earliest opportunity the adjustment of our foreign debts by the payment thereof in goods, the only way in which any substantial foreign debt has ever been paid. We developed this country very largely upon foreign capital and we paid our foreign obligations in goods. At the beginning of the World War we were paying a debt service charge in the sum of $200,000,000, not in money, but in goods.

At the close of the war the tables had turned and a debt service charge was running in our favor in the sum of $500,000,000 annually. Did we change our trade policy accordingly? No; we tried to make a debtor-nation trade policy fit a creditor-nation position. This was as impossible as the eating of the cake and having it, too. We must permit the payment of these obligations owing us in goods or cancel the same. The sooner we do one or the other, the better for all concerned.

WAR AND PROFITS—ADDRESS BY SENATOR NYE

Mr. BONE. Mr. President, I ask unanimous consent to have printed in the RECORD a radio address delivered by the Senator from North Dakota [Mr. NYE] on April 10 on the subject of "War and Profits." The address was delivered over an eastern radio hook-up.

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

WAR PROFITS—THE PROFITS OF WAR AND PREPAREDNESS

A restless mind exists throughout the world today. One naturally is concerned about our Nation's preparedness for war. The cause of preparedness, however, has lent itself to abuses which amount to national scandal, and in time will cause nations to bow their heads in shame of the frightful things done in its name.

To provide an adequate national defense is a positive duty of government. But what constitutes an adequate defense? Is it preparation to defend ourselves against aggression? Or is it preparation to go to all quarters of the earth to carry on warfare? If the questions were left to the people, there is not serious doubt as to what the answers would be. If the people, unhampered by interests with selfish purposes, had their way, adequate defense would involve alone preparation for war at home. Then, with no nation preparing to leave its own borders to make war, there would quickly dawn a golden opportunity and invitation to further prune the expense of defensive preparation.

The sad facts are, though, that the people do not have their way upon matters involving ultimate war. Influences are constantly at work which disarm people of a feeling of security in what was once thought to be an adequate defense. These influences are by men who hold positions of great influence in our social and political order, men who have been highly successful in inducing others to accept as truth the baseless assertions of their false though profitable propaganda.

Americans left to their good sense and judgment will declare that never again will our country engage in war away from home. But never at any time is there let-up of that propaganda intended to convince us that other nations are more adequately prepared for war than are we. And the propaganda so effective with us is equally effective when used in other lands. The result is an increasing competition between nations in providing military strength; a competition so insane in its accomplishment that the world finds itself completely forgetting what really is adequate in the way of national defense; a competition which witnesses nations launched upon preparation programs on a scale never known to the world in peace times. Already the race is one which causes nations, including our own, to spend two and three times more money now than before the late World War. And here we are, only 15 years removed from that war, with its painful and expensive economic and physical consequences still upon us.

Under these circumstances it is fair to ask: Where does preparedness and national defense end? Viewing the insane trend of competition between nations it is equally fair to answer: It ends in war, war more terrible than any yet known; war, no one knows just where, when, or for what cause, but war nevertheless. And to whose profit and satisfaction, pray tell? Certainly not to that of the men and boys who will be called upon to carry on; not to that of their loved ones. Certainly not to the profit of the Nation, for now, while still bleeding from the last war, we see that war gives not profit but debt—burdensome, crushing debt.

Is our civilization helplessly insane and laboring under a complex utterly suicidal? Who profits, who gains any satisfaction from this mad race of so-called "preparedness"?

The answer is not difficult of finding for those who will face facts.

Many studies are being made, resulting in published articles on the subject of War and Profit. One of the most notable of these is to be found in the current number of Fortune Magazine. Here we find a most sordid tale of the scheming of European manufacturers to create a market for their instruments of war, of the perfect will of these manufacturers to supply the material to be used by enemy governments against their own, perhaps against the very factory workers whose labor created the munitions. These patriots have no prejudices. They perfect new death-dealing instruments and sell to whichever or however many governments will buy. There has been recorded the fact that French soldiers were mowed down by French-made guns in the hands of the enemy. German soldiers moving westward were killed by German-made guns sold to Belgium, while German-made machines sold to Russia visited death and destruction upon the men fighting for the Fatherland on the eastern front. Mounted in monumental fashion in a small English community is a great gun captured from the Germans in an engagement which cost the lives of many of the young men of that British community. On one side of the gun are engraved the names of the sons of Britain who gave up their lives in that engagement before the machine was captured; on the other side is engraved the name of the British munitions maker who sold the instrument to Germany. The story of the commercialism of war and preparation for it is ugly, gruesome. It does no credit to European munitions makers or to the countries which permitted these merchants to ply their trade.

But who are we to pity the poor souls with whom these European manufacturers play as with toys? Look at ourselves in America and the history of our own munitions makers, who supply Uncle Sam's needs in an adequate defense program and rush their supersalesmen off to foreign lands to ply their trade at peace conferences.

Last Friday was Army Day, and past the Capitol and down the city's parade avenue there marched and rode 5,000 of America's finest—America's defenders—strong, splendidly uniformed men, beautiful, well-matched steeds, shining steel helmets, rifles, and mounted guns. All this, with the proudly waving colors, is at once inspiring. Hats off to these well-trained men prepared at a moment's notice to rush to the defense of country and flag. Yet, even in that inspiring moment, I could not fully restrain myself and be blind to the fact that those glistening steel helmets, for example, were the profit-returning products of American manufacturers, a product intended to protect those fine heads under the helmets against the shrapnel and shells which the same manufacturers had sold to the military departments of other nations which might some day be our foe in war. What madness. What rotten commercialism. Name a more inhuman trade. Was ever a more insane racket conceived in depraved mind or tolerated by an enlightened people?

After the adequate defensive needs of the American Government have been provided for by the annual appropriations, it is said, off to South America go these manufacturers, breeding there suspicion and fear between countries while American statesmen strive to accomplish understanding and maintain peace. Incidentally, order books are carried along to record the orders for military needs which always grow out of suspicion and fear. China and Japan likewise seem to offer a fine market for our American merchants of death and destruction.

Just before the Civil War a leading financial figure conceived the idea of buying at auction thousands of rifles which the American Army was casting aside. The purchase was at a price of just over $3 per gun. The following year, when the Union forces desperately needed guns, this financier sold these same guns to the Government at $22 each, a 700 percent profit. When Fremont's soldiers tried to fire these guns, they shot off their own thumbs. But Morgan finally got his money, through court action, the court holding the contract was sacred. Is there profit for anyone in war?

But look out for Japan! we are cautioned.

If we should, by some unbelievable chance, find ourselves at war with Japan, it is safe to wager that our soldiers and sailors will find their enemy armed with and mowed down by instruments produced by American manufacturers—at a profit, of course.

In the name of adequate defense our American costs of maintaining the Army and Navy are now more than $700,000,000 annually, compared with $343,000,000 just before we entered the World War, the war that was going to end war. From 1913 to 1930 Great Britain's cost of national defense increased 42 percent; France, 30 percent; Italy, 44 percent; Japan, 142 percent; Russia, 30 percent; while your Uncle Sam rushed to a 200 percent increase in his defense costs.

When will we cease this mad game? But, let us remember that the surest way to maintain peace is to prepare for war, we are urged.

I deny that there is any foundation in fact or historical experience for the claim that preparation for war maintains peace. The claim is a myth, sponsored and nursed by those whose unclean profits would vanish if ever they permitted the world to know that preparation for war is marvelously profitable for a few.

Between the United States and Canada there stretches a boundary of thousands of miles. During the lifetime of these two neighbors there has never been stationed a soldier, a mounted gun, or any evidence of military defense. It is encouraging to know that today fine minds in both countries are conceiving the establishment of a monument to commemorate these years of peace without demonstration of armed strength.

This monument is to take most unusual form. On each side of the boundary, in the Turtle Mountains of my State of North Dakota and Canada, hundreds of acres are being set aside to be developed and made known as the "International Peace Garden." These acres will be landscaped and made a beautiful spot in commemoration of the peaceful relationship that has existed through all of these years without that common demonstration of adequate defense.

Oh, that there could be more such monuments.

There is a book about to come from the press which would save our Nation billions and our people much suffering if it could be read by every American. It is the story of profits and methods of munition makers, written by Engelbrecht and Kanighen, published by Dodd, Mead & Co., and chosen by the Book of the Month Club for May. And what a title this work has. Merchants of Death is its name. It is packed full of worth-while facts about our munition makers. To this book I must credit some of the information I have offered tonight, and to it I am indebted for a reminder of that advertisement once published by an American munitions manufacturer. This manufacturer had developed a death-dealing instrument which it was anxious to sell, and it advertised its accomplishment to the world as follows:

"The material is high in tensile strength and very special. The timing of the fuze of this shell is similar to the shrapnel shell, but it differs in that two explosive acids are used to explode the shell in the large cavity. The combination of these two acids causes a terrific explosion, having more power than anything of

its kind yet used. Fragments become coated with the acids in exploding and wounds caused by them mean death in terrible agony within 4 hours, if not attended to immediately.

"From what we are able to learn of conditions in the trenches, it is not possible to get medical assistance to anyone in time to prevent fatal results."

This is not a pleasant story with which to close my remarks. There ought to be something a little more cheering, and I think that cheer is to be found in the prospect, which is large, that within the next few days the Senate will pass the resolution which has been offered by Senator VANDENBERG and myself, calling for a sweeping investigation of the activities and methods resorted to by our munitions makers to fatten thin bank accounts in the name of preparedness.

I am sure that such an investigation will develop facts which will let people know how they are made monkeys of by profit-hungry, soulless madmen, who are making lunatics of the people of the world by their incessant propaganda for ever-larger appropriations in the name of an adequate defense. Truth always produces worth-while results. Truth concerning the methods and programs of our munitions makers might fetch an awakening which would demand the removal of the element of profit from national defense and war. I am sure such action will not necessitate additional relief camps to accommodate those gentlemen, who profit most largely when millions of men are giving their lives to the cause of flag and country. And it most assuredly will reduce the danger of more war and the terrific burdens of expense now required in the name of adequate defense.

INTERNAL-REVENUE TAXATION

The Senate resumed the consideration of the bill (H.R. 7835) to provide revenue, equalize taxation, and for other purposes.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE] in the nature of a substitute for the amendment reported by the committee on page 196, beginning in line 13.

The amendment of Mr. LA FOLLETTE is as follows:

On page 196, after line 12, to strike out:

"SEC. 405. Estate tax rates: (a) The last 14 paragraphs of section 401 (b) of the Revenue Act of 1932 are amended to read as follows:

"'$126,000 upon net estate of $1,000,000; and upon net estates in excess of $1,000,000 and not in excess of $1,500,000, 20 percent in addition of such excess.

"'$226,000 upon net estates of $1,500,000; and upon net estates in excess of $1,500,000 and not in excess of $2,000,000, 22 percent in addition of such excess.

"'$336,000 upon net estates of $2,000,000; and upon net estates in excess of $2,000,000 and not in excess of $2,500,000, 25 percent in addition of such excess.

"'$461,000 upon net estates of $2,500,000; and upon net estates in excess of $2,500,000 and not in excess of $3,000,000, 27 percent in addition of such excess.

"'$596,000 upon net estates of $3,000,000; and upon net estates in excess of $3,000,000 and not in excess of $3,500,000, 30 percent in addition of such excess.

"'$746,000 upon net estates of $3,500,000; and upon net estates in excess of $3,500,000 and not in excess of $4,000,000, 32 percent in addition of such excess.

"'$906,000 upon net estates of $4,000,000; and upon net estates in excess of $4,000,000 and not in excess of $4,500,000, 35 percent in addition of such excess.

"'$1,081,000 upon net estates of $4,500,000; and upon net estates in excess of $4,500,000 and not in excess of $5,000,000, 37 percent in addition of such excess.

"'$1,266,000 upon net estates of $5,000,000; and upon net estates in excess of $5,000,000 and not in excess of $6,000,000, 40 percent in addition of such excess.

"'$1,666,000 upon net estates of $6,000,000; and upon net estates in excess of $6,000,000 and not in excess of $7,000,000, 42 percent in addition of such excess.

"'$2,086,000 upon net estates of $7,000,000; and upon net estates in excess of $7,000,000 and not in excess of $8,000,000, 44 percent in addition of such excess.

"'$2,526,000 upon net estates of $8,000,000; and upon net estates in excess of $8,000,000 and not in excess of $9,000,000, 46 percent in addition of such excess.

"'$2,986,000 upon net estates of $9,000,000; and upon net estates in excess of $9,000,000 and not in excess of $10,000,000, 48 percent in addition of such excess.

"'$3,466,000 upon net estates of $10,000,000; and upon net estates in excess of $10,000,000, 50 percent in addition of such excess.'

"(b) The amendments made by this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this act.

"SEC. 406. Nondeductibility of certain transfers: Section 303 (a) (3) and section 303 (b) (3) of the Revenue Act of 1926, as amended, are amended by inserting after 'individual', wherever appearing therein, a comma and the following: 'and no substantial part of the activities of which is participation in partisan politics or is carrying on propaganda, or otherwise attempting, to influence legislation.'"

And in lieu thereof to insert the following:

"SEC. 404. Estate tax rates: (a) Section 401 (b) of the Revenue Act of 1932 is amended to read as follows:

"'(b) The tentative tax referred to in subsection (a) (1) of this section shall equal the sum of the following percentages of the value of the net estate:

"'Upon net estates not in excess of $20,000, 1 percent.

"'$200 upon net estates of $20,000; and upon net estates in excess of $20,000 and not in excess of $30,000, 2 percent in addition of such excess.

"'$400 upon net estates of $30,000; and upon net estates in excess of $30,000 and not in excess of $40,000, 3 percent in addition of such excess.

"'$700 upon net estates of $40,000; and upon net estates in excess of $40,000 and not in excess of $50,000, 4 percent in addition of such excess.

"'$1,100 upon net estates of $50,000; and upon net estates in excess of $50,000 and not in excess of $60,000, 5 percent in addition of such excess.

"'$1,600 upon net estates of $60,000; and upon net estates in excess of $60,000 and not in excess of $80,000, 7 percent in addition of such excess.

"'$3,000 upon net estates of $80,000; and upon net estates in excess of $80,000 and not in excess of $100,000, 9 percent in addition of such excess.

"'$4,800 upon net estates of $100,000; and upon net estates in excess of $100,000 and not in excess of $200,000, 12 percent in addition of such excess.

"'$16,800 upon net estates of $200,000; and upon net estates in excess of $200,000 and not in excess of $400,000, 16 percent in addition of such excess.

"'$48,800 upon net estates of $400,000; and upon net estates in excess of $400,000 and not in excess of $600,000, 19 percent in addition of such excess.

"'$86,800 upon net estates of $600,000; and upon net estates in excess of $600,000 and not in excess of $800,000, 22 percent in addition of such excess.

"'$130,800 upon net estates of $800,000; and upon net estates in excess of $800,000 and not in excess of $1,000,000, 25 percent in addition of such excess.

"'$180,800 upon net estates of $1,000,000; and upon net estates in excess of $1,000,000 and not in excess of $1,500,000, 28 percent in addition of such excess.

"'$320,800 upon net estates of $1,500,000; and upon net estates in excess of $1,500,000 and not in excess of $2,000,000, 31 percent in addition of such excess.

"'$475,800 upon net estates of $2,000,000; and upon net estates in excess of $2,000,000 and not in excess of $2,500,000, 34 percent in addition of such excess.

"'$645,800 upon net estates of $2,500,000; and upon net estates in excess of $2,500,000 and not in excess of $3,000,000, 37 percent in addition of such excess.

"'$830,800 upon net estates of $3,000,000; and upon net estates in excess of $3,000,000 and not in excess of $3,500,000, 40 percent in addition of such excess.

"'$1,030,800 upon net estates of $3,500,000; and upon net estates in excess of $3,500,000 and not in excess of $4,000,000, 43 percent in addition of such excess.

"'$1,245,800 upon net estates of $4,000,000; and upon net estates in excess of $4,000,000 and not in excess of $4,500,000, 46 percent in addition of such excess.

"'$1,475,800 upon net estates of $4,500,000; and upon net estates in excess of $4,500,000 and not in excess of $5,000,000, 48 percent in addition of such excess.

"'$1,715,800 upon net estates of $5,000,000; and upon net estates in excess of $5,000,000 and not in excess of $6,000,000, 50 percent in addition of such excess.

"'$2,215,800 upon net estates of $6,000,000; and upon net estates in excess of $6,000,000 and not in excess of $7,000,000, 52 percent in addition of such excess.

"'$2,735,800 upon net estates of $7,000,000; and upon net estates in excess of $7,000,000 and not in excess of $8,000,000, 54 percent in addition of such excess.

"'$3,275,800 upon net estates of $8,000,000; and upon net estates in excess of $8,000,000 and not in excess of $9,000,000, 56 percent in addition of such excess.

"'$3,835,800 upon net estates of $9,000,000; and upon net estates in excess of $9,000,000 and not in excess of $10,000,000, 58 percent in addition of such excess.

"'$4,415,800 upon net estates of $10,000,000; and upon net estates in excess of $10,000,000, 60 percent in addition of such excess.'

"(b) Section 401 (c) of the Revenue Act of 1932 (relating to the exemption for the purposes of the additional estate tax) is amended by striking out '$50,000' and inserting in lieu thereof '$40,000.'

"(c) Section 403 of the Revenue Act of 1932 (relating to the requirement for filing return under such additional estate tax) is amended by striking out '$50,000' and inserting in lieu thereof '$40,000.'

"(d) The amendments made by this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this act."

Mr. LA FOLLETTE. Mr. President, the pending amendment proposes to raise the rates prevailing under the exist-

ing law and those proposed in the bill as reported from the committee insofar as taxation of estates is concerned. At the time the amendment which I offered relating to increasing income taxes was under consideration I debated at some length the whole question of graduated taxation and the need of increasing the revenues to meet the extraordinary expenditures made necessary by the economic crisis.

Whatever may be said concerning the repressive effects upon business of high income-tax rates, no such argument can be advanced effectively when we come to deal with the question of the rates of taxation upon estates when they pass at the time of death. In my view, graduated taxation upon estates or inheritance is the most justified form of taxation which can be levied. I recognize that Senators may differ as to the relative merits of an estate tax as distinguished from an inheritance tax. With some of the arguments advanced in support of the inheritance tax I am in complete sympathy. Nevertheless it has become the established policy of the Government to levy the tax against the estate. It is obvious that at this time and in this situation it is impossible to consider a change in policy in that regard.

I think practically everyone is in complete agreement that it is necessary to increase the yield from taxes in order to meet the expenditures made necessary in order to relieve distress and to provide some employment. It is my view that it will be necessary not only to continue these expenditures over a considerable period of time but I am likewise of the opinion that the Government will find it necessary to increase rather than to diminish these expenditures.

But whether or not the view which I hold proves to be correct, it is clear to all that insofar as paying for the expenditures which have already been made the economic crisis is not over, and it will be necessary over a long period of time for the Government to raise revenue to meet the obligations which have been incurred in order that those expenditures might be made.

With a concentration of wealth such as has taken place in this country, and confronted with a situation where it is necessary for us to increase our revenues, the justice and the equity of levying increased taxes upon estates are beyond argument.

Let me say just a few words concerning the provisions of the particular amendment. It reduces the exemption upon estates from $50,000, as provided in existing law, to $40,000. By a series of brackets the rates are increased under the amendment until upon an estate in excess of $10,000,000, 60 percent would be levied upon such excess. Senators should not fall into the error of assuming that the amendment provides a rate of 60 percent upon estates in excess of $10,000,000. Under the amendment the composite rate upon estates of $10,000,000 will be approximately 44 percent. Until an estate reaches $100,000,000, 60 percent will not be collected.

I desire to refer briefly to the rates, comparing those in the existing law with those proposed to be levied under the pending amendment. Upon net estates before exemption of $50,000 the existing law does not levy any tax. Under my amendment, and assuming the estate of a married person, all of which passes to the widow, an estate of $50,000 would pay a tax of $100. Under the rates in Great Britain such an estate would pay $2,500.

Upon an estate of $100,000 under the existing law such an estate would pay $1,500 of tax. Under my amendment it would be required to pay $1,600, and under the British rate $9,000.

An estate of $500,000 under the existing law would pay $42,500. Under my amendment such an estate would pay $60,200, and under the British rate $105,000.

An estate of $1,000,000 under the existing law would pay $117,500; under my amendment $170,800, and under the British rate $270,000.

An estate of $5,000,000 under the existing law would pay $1,149,500; under the amendment $1,696,600, and under the British rate $2,050,000.

An estate of $10,000,000 under existing law would pay $3,094,500; under the amendment $4,392,600, and under the British rate $5,100,000.

Mr. LEWIS. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield to the Senator from Illinois?

Mr. LA FOLLETTE. I yield.

Mr. LEWIS. I am sure the able and industrious Senator from Wisconsin recognizes that Great Britain, of course, is a single land not divided into separate States such as ours. I ask the Senator what would be the effect upon those States which have an income tax law if the Federal estate taxes are increased as he proposes? Will the amendment of the Senator operate in effect to exhaust the estate insofar as it could be taxed by the State?

Mr. LA FOLLETTE. No; I do not think so, I will say to the Senator from Illinois, because, as the Senator knows, in those States which have estate or inheritance taxes the rates of necessity have been very low for the reason that excessive rates would tend to induce individuals to move from a State which levied an excessively high inheritance-tax rate into a State which did not levy any tax or which levied lower rates. If the Senator is familiar with the situation which existed at the time the State of Florida adopted a constitutional amendment prohibiting the levying of inheritance or estate taxes, he will know that many individuals with large estates established residences in Florida in order to avoid the estate tax or the inheritance tax in their States. We had a very spectacular case of that kind in Wisconsin within recent years, the Beggs case.

Mr. DUFFY. Mr. President——

Mr. LA FOLLETTE. I yield to my colleague.

Mr. DUFFY. I recall the Senator's attention also to section 802 of the Revenue Act of 1932, which gives an 80-percent credit against the Federal tax for inheritance taxes paid in the State. I intend later to offer an amendment so that the same thing can be done, at a very much lower rate, as to income taxes; so the 80-percent provision would in a large measure offset that.

Mr. LA FOLLETTE. It is correct so far as the regular estate-tax rates are concerned; but this amendment applies to the additional rates which were imposed in the act of 1932.

Mr. President, under all the circumstances with which we are confronted, I think Senators will recognize that the rates I have proposed in the pending amendment are not severe. They are not excessive. They are very much lower than those imposed in other countries employing the estate or inheritance taxes as a means of raising revenue.

The Senator from Illinois [Mr. LEWIS] mentioned the fact that Great Britain is one governmental entity, and that there are not in that country other divisions or other entities of government levying taxes. Nevertheless, so far as the problem of raising revenue for the Federal Government is concerned, we must apply, it seems to me, the justice and the equity of the graduated system of taxation in order to collect the revenues which are essential.

Mr. GEORGE. Mr. President——

Mr. LA FOLLETTE. I yield to the Senator from Georgia.

Mr. GEORGE. The Senator's amendment, as I understand, now provides for a tax on net estates of $40,000 instead of $20,000.

Mr. LA FOLLETTE. The original amendment provided for a tax upon a net estate of $25,000; but after consultation with the chairman of the committee and other members of the committee I raised the exemption so that it would apply upon net estates of $40,000 and upward.

Mr. GEORGE. One further question: The Senator's amendment does not interfere with any credit for like tax paid to the State?

Mr. LA FOLLETTE. I want the Senator to get the amendment clearly in mind. This amendment is directed to the additional rates upon estates which were levied in the 1932 act, to which the credits do not apply. The Senator will remember that we had rates in the law before the 1932 act to which an 80-percent credit applied. Then in the 1932

act we levied additional rates to which the 80-percent credit does not apply.

Mr. GEORGE. And this is an additional levy to which it does not apply?

Mr. LA FOLLETTE. The Senator is correct.

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

Mr. LA FOLLETTE. I yield.

Mr. HARRISON. Under the unanimous-consent agreement we are to vote in about 2 minutes. I understand that the Senator from Wisconsin has modified his amendment as he has suggested, so as to provide for an exemption of $40,000 instead of $25,000, as the amendment was originally drawn?

Mr. LA FOLLETTE. The Senator's statement is correct.

Mr. HARRISON. I may say to the Senator that I shall offier no objection to the adoption of the amendment, and shall vote for it.

Mr. LA FOLLETTE. I very much appreciate the support and attitude of the chairman of the committee and other members who have given this matter further consideration.

Mr. HARRISON. May I say to the Senator, if he will yield for a moment——

Mr. LA FOLLETTE. I yield.

Mr. HARRISON. I have directed the Joint Committee on Internal Revenue Taxation to make a study of the question of changing the estate tax to the inheritance tax.

Mr. LA FOLLETTE. I am very glad the Senator has directed the study to be made, and I think the results of it will be well worth the consideration of the Congress.

Mr. President, just a word as to how much this amendment is estimated to yield. The Treasury Department estimated that the original amendment would yield $100,000,000 annually more than is now being derived from estate taxes the first full year that the rates were in effect. I have not resubmitted this amendment to the Treasury Department for an estimate; but after consultation with experts who are here upon the floor I think I am very conservative in stating that upon the basis of the Treasury Department estimates, this amendment as now drawn should yield $90,000,000 annually in addition to the amount now being collected from estate taxes the first full year that the rates are in effect, if they shall prevail.

Mr. President, I ask unanimous consent to have printed in the RECORD at the end of my remarks the table of comparative rates to which I have referred.

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

Comparison of death taxes—estate of married person—all passing to widow

Net estate before exemption	1932 act	Revenue bill of 1934[1]	La Follette proposal	1917 act	Great Britain, present rates
$1,000					$10
$5,000					150
$10,000					300
$15,000					450
$25,000					1,000
$50,000			$100		2,500
$100,000	$1,500		1,600	$1,000	9,000
$150,000	5,000		6,000	3,000	18,000
$200,000	9,500		12,000	5,000	28,000
$300,000	19,500		26,400	11,000	51,000
$400,000	30,500		42,400	19,000	76,000
$500,000	42,500		60,200	27,000	105,000
$600,000	55,500		79,200	35,000	138,000
$800,000	84,500		122,000	57,000	200,000
$1,000,000	117,500		170,800	77,000	270,000
$2,000,000	315,500		463,400	196,000	660,000
$3,000,000	553,500		816,000	335,000	1,110,000
$5,000,000	1,149,500		1,696,600	673,000	2,050,000
$10,000,000	3,094,500		4,392,600	1,711,000	5,100,000

[1] Same as 1932 rates.

The PRESIDENT pro tempore. The question is on the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE] to the committee amendment.

Mr. LA FOLLETTE and Mr. HARRISON called for the yeas and nays, and they were ordered.

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

The legislative clerk proceeded to call the roll.

Mr. FESS (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I am not advised as to how he would vote. Therefore, I shall have to withhold my vote. If at liberty to vote, I would vote "nay."

Mr. WAGNER (when his name was called). On this question I have a general pair with the senior Senator from Missouri [Mr. PATTERSON]. I transfer that pair to the senior Senator from Montana [Mr. WHEELER], and will vote. I vote "yea."

The roll call was concluded.

Mr. LEWIS. I announce the absence of the senior Senator from Arkansas [Mr. ROBINSON] and the senior Senator from Pennsylvania [Mr. REED], and announce the existence of a general pair between them.

I also desire to announce that my colleague [Mr. DIETERICH], were he present and voting, would vote "yea."

I desire to announce the following general pairs:

The Senator from California [Mr. MCADOO] with the Senator from Connecticut [Mr. WALCOTT]; and

The Senator from Florida [Mr. TRAMMELL] with the Senator from Maine [Mr. WHITE].

I desire further to announce that the Senator from Alabama [Mr. BLACK], the Senator from Florida [Mr. FLETCHER], the Senator from Virginia [Mr. GLASS], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Florida [Mr. TRAMMELL], the Senator from Maryland [Mr. TYDINGS], and the Senator from California [Mr. MCADOO] are necessarily detained from the Senate on official business.

Mr. HEBERT. The Senator from Pennsylvania [Mr. REED] and the Senator from Missouri [Mr. PATTERSON] are necessarily absent. Their pairs have already been announced. I am authorized to say that, if present, both those Senators would vote "nay" on this question.

The Senator from Connecticut [Mr. WALCOTT] is detained on committee work.

Mr. LA FOLLETTE. I desire to announce that if the senior Senator from Montana [Mr. WHEELER] were present he would vote "yea."

Mr. WALSH. My colleague [Mr. COOLIDGE] is detained from the Senate on official business. If present, he would vote "yea."

Mr. HATFIELD (after having voted in the negative). I have a general pair with the senior Senator from Florida [Mr. FLETCHER]. I do not know how he would vote on this question. I transfer that pair to the senior Senator from Vermont [Mr. AUSTIN], and will allow my vote to stand.

The result was announced—yeas 65, nays 14, as follows:

YEAS—65

Adams	Couzens	Lewis	Robinson, Ind.
Ashurst	Cutting	Logan	Russell
Bachman	Davis	Lonergan	Schall
Bankhead	Dickinson	Long	Sheppard
Barkley	Dill	McCarran	Shipstead
Bone	Duffy	McGill	Smith
Borah	Erickson	McKellar	Steiwer
Brown	Frazier	McNary	Stephens
Bulkley	George	Murphy	Thomas, Okla.
Bulow	Gibson	Neely	Thompson
Byrnes	Gore	Norbeck	Vandenberg
Capper	Harrison	Norris	Van Nuys
Caraway	Hatch	Nye	Wagner
Carey	Hayden	O'Mahoney	Walsh
Clark	Johnson	Overton	
Connally	King	Pittman	
Costigan	La Follette	Pope	

NAYS—14

Bailey	Goldsborough	Hebert	Thomas, Utah
Barbour	Hale	Kean	Townsend
Byrd	Hastings	Keyes	
Copeland	Hatfield	Metcalf	

NOT VOTING—17

Austin	Fletcher	Reynolds	Wheeler
Black	Glass	Robinson, Ark.	White
Coolidge	McAdoo	Trammell	
Dieterich	Patterson	Tydings	
Fess	Reed	Walcott	

So Mr. LA FOLLETTE's amendment to the amendment of the committee was agreed to.

Mr. BLACK subsequently said: Mr. President, when the vote on the La Follette amendment was had I was detained in committee. Since no announcement was made as to how I would have voted if present, I desire to say that had I been present I would have voted for the amendment.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment, as amended.

The amendment as amended was agreed to.

Mr. BORAH obtained the floor.

Mr. LA FOLLETTE. Mr. President——

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

Mr. BORAH. I yield.

Mr. LA FOLLETTE. Mr. President, in view of the increase in the rates upon estates, and in conformity with the differential provided in the existing law between the estate-tax rates and the gift-tax rates, it now becomes necessary to modify the gift-tax rates and to increase them so as to make them commensurate with the rates upon estates.

To refresh the memories of the Senators, the gift-tax rates under existing law are three fourths of the rates of taxes upon estates, and the amendment which I now send to the desk will increase existing rates on gifts to three fourths of the rates which have just been adopted upon estates.

The PRESIDENT pro tempore. Does the Senator from Idaho yield for the purpose of the Senator from Wisconsin presenting his amendment?

Mr. BORAH. I yield.

Mr. LA FOLLETTE. I wish to make a brief statement concerning this amendment. The amendment is drawn to go into effect upon gifts after the 1st of January 1935. This provision is incorporated in the amendment in order to obviate the very difficult and technical problem of drafting an amendment which would take effect upon the signing of the bill insofar as the rates upon gifts are concerned.

Mr. HARRISON. Mr. President, will the Senator from Idaho yield for one moment?

Mr. BORAH. I yield.

Mr. HARRISON. Of course, it is always the policy, as stated by the Senator from Wisconsin, that, according to the estate-tax rates, there should be some differential between the gift tax and the estate tax, and it would seem to me, in view of the action of the Senate in increasing the estate tax, that the rates incorporated in the amendment of the Senator from Wisconsin should be adopted.

Mr. COUZENS. Mr. President, will the Senator from Idaho yield to me for a moment?

Mr. BORAH. I yield.

Mr. COUZENS. Will the Senator state what the difficulties are in putting the gift tax into effect at the same time?

Mr. LA FOLLETTE. I wish the Senator from Michigan would confer with Mr. Beaman about that. I went over the whole matter with him and with other experts from the Treasury, and the difficulty, as I understand, is due to the fact that we have the regular rates, the additional rates, and compute them on a calendar-year basis. It would be very difficult to apply the increase to the gift-tax rates at once.

Mr. COUZENS. Does not the estate tax take effect immediately upon the signing of the bill?

Mr. LA FOLLETTE. The estate-tax rates will take effect, but the gift tax presents a very much more difficult problem. After consulting with the legislative counsel and the experts from the Treasury I became convinced that the technical problem of drafting the amendment was more difficult than any advantage which would accrue from attempting to make the gift tax apply at once.

Mr. COUZENS. Of course, that leaves a loophole for the disposition of a great deal of wealth between now and the effective date of the estate tax.

Mr. LA FOLLETTE. True; but, of course, we will get the revenue under the existing rates if that takes place.

The PRESIDENT pro tempore. The amendment of the Senator from Wisconsin will be stated.

The CHIEF CLERK. On page 212, following the amendment by the Senator from Pennsylvania [Mr. REED] and the amendment by the Senator from Mississippi [Mr. HARRISON], heretofore agreed to, after line 15, it is proposed to insert the following:

SEC. 519. Gift tax rates: (a) The gift-tax schedule set forth in section 502 of the Revenue Act of 1932 is amended to read as follows:

"Upon net gifts not in excess of $20,000, three fourths of 1 percent.

"$150 upon net gifts of $20,000; and upon net gifts in excess of $20,000 and not in excess of $30,000, 1½ percent in addition of such excess.

"$300 upon net gifts of $30,000; and upon net gifts in excess of $30,000 and not in excess of $40,000, 2¼ percent in addition of such excess.

"$525 upon net gifts of $40,000; and upon net gifts in excess of $40,000 and not in excess of $50,000, 3 percent in addition of such excess.

"$825 upon net gifts of $50,000; and upon net gifts in excess of $50,000 and not in excess of $60,000, 3¾ percent in addition of such excess.

"$1,200 upon net gifts of $60,000; and upon net gifts in excess of $60,000 and not in excess of $80,000, 5¼ percent in addition of such excess.

"$2,250 upon net gifts of $80,000; and upon net gifts in excess of $80,000 and not in excess of $100,000, 6¾ percent in addition of such excess.

"$3,600 upon net gifts of $100,000; and upon net gifts in excess of $100,000 and not in excess of $200,000, 9 percent in addition of such excess.

"$12,600 upon net gifts of $200,000; and upon net gifts in excess of $200,000 and not in excess of $400,000, 12 percent in addition of such excess.

"$36,600 upon net gifts of $400,000; and upon net gifts in excess of $400,000 and not in excess of $600,000, 14¼ percent in addition of such excess.

"$65,100 upon net gifts of $600,000; and upon net gifts in excess of $600,000 and not in excess of $800,000, 16½ percent in addition of such excess.

"$98,100 upon net gifts of $800,000; and upon net gifts in excess of $800,000 and not in excess of $1,000,000, 18¾ percent in addition of such excess.

"$135,600 upon net gifts of $1,000,000; and upon net gifts in excess of $1,000,000 and not in excess of $1,500,000, 21 percent in addition of such excess.

"$240,600 upon net gifts of $1,500,000; and upon net gifts in excess of $1,500,000 and not in excess of $2,000,000, 23¼ percent in addition of such excess.

"$356,850 upon net gifts of $2,000,000; and upon net gifts in excess of $2,000,000 and not in excess of $2,500,000, 25½ percent in addition of such excess.

"$484,350 upon net gifts of $2,500,000; and upon net gifts in excess of $2,500,000 and not in excess of $3,000,000, 27¾ percent in addition of such excess.

"$623,100 upon net gifts of $3,000,000; and upon net gifts in excess of $3,000,000 and not in excess of $3,500,000, 30 percent in addition of such excess.

"$773,100 upon net gifts of $3,500,000; and upon net gifts in excess of $3,500,000 and not in excess of $4,000,000, 32¼ percent in addition of such excess.

"$934,350 upon net gifts of $4,000,000; and upon net gifts in excess of $4,000,000 and not in excess of $4,500,000, 34½ percent in addition of such excess.

"$1,106,850 upon net gifts of $4,500,000; and upon net gifts in excess of $4,500,000 and not in excess of $5,000,000, 36 percent in addition of such excess.

"$1,286,850 upon net gifts of $5,000,000; and upon net gifts in excess of $5,000,000 and not in excess of $6,000,000, 37½ percent in addition of such excess.

"$1,661,850 upon net gifts of $6,000,000; and upon net gifts in excess of $6,000,000 and not in excess of $7,000,000, 39 percent in addition of such excess.

"$2,051,850 upon net gifts of $7,000,000; and upon net gifts in excess of $7,000,000 and not in excess of $8,000,000, 40½ percent in addition of such excess.

"$2,456,850 upon net gifts of $8,000,000; and upon net gifts in excess of $8,000,000 and not in excess of $9,000,000, 42 percent in addition of such excess.

"$2,876,850 upon net gifts of $9,000,000; and upon net gifts in excess of $9,000,000 and not in excess of $10,000,000, 43½ percent in addition of such excess.

"$3,311,850 upon net gifts of $10,000,000; and upon net gifts in excess of $10,000,000, 45 percent in addition of such excess."

(b) Section 505 (a) (1) of the Revenue Act of 1932 (relating to the specific exemption for gift-tax purposes) is amended by striking out "$50,000" and inserting in lieu thereof "$40,000."

(c) The amendments made by subsections (a) and (b) of this section shall be applied in computing the tax for the calendar year 1935 and each calendar year thereafter (but not the tax for the calendar year 1934 or a previous calendar year), and such amendments shall be applied in all computations in respect of the calendar year 1934 and previous calendar years for the purpose of computing the tax for the calendar year 1935 or any calendar year thereafter.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Wisconsin [Mr. LA FOLLETTE].

The amendment was agreed to.

Mr. BORAH. Mr. President, I move to strike out section 141, beginning on page 110 of the bill. That is the section which provides for consolidated returns. If the motion should prevail, all corporations would make their separate and individual reports.

I wish I might have the serious consideration of the Senate with respect to this motion. I am sure the consolidated-returns provision results in very great advantage in the matter of taxes to the holding companies throughout the United States. I have talked with practically all the experts as to the advantage which the consolidated returns gives to large corporations and I am informed that it is an advantage in the matter of taxes which, under the provisions of this bill would amount to some $300,000,000 a year.

It seems to me, Mr. President, that above all things tax laws should be fair, they should be just to all alike, and that the consolidated returns giving the advantage to these large holding companies is a great disadvantage to all independent corporations paying taxes. It puts the small corporations—the independents—under a handicap which, when added to the disadvantage which the small corporations have in other respects, makes it impossible for small corporations to continue in business. The result is that day by day and year by year the small independent corporations are compelled to accept merger—another word for extinction. Why should the Government, through its tax laws, favor the large corporations?

I called attention yesterday evening to a matter which I want to call to the attention of the Senate again. It is an illustration of how consolidated returns work to advantage of large holding companies. I am reading from the House debates under the date of April 9, and the speaker, Mr. McFarlane is speaking alone, in this particular instance, of the holding companies of aviation corporations. He says:

> We find that the Bendix Aviation Corporation has saved, through the filing of consolidated returns, and in the change of income-tax laws which have been changed since the law of 1918, the sum of $625,863.49 in money they would have been required to pay to the Government had the law not been changed and had they been required to file separate returns rather than consolidated returns.
>
> The Curtiss-Wright Corporation saved $101,709.31 in the same way. The North American, or the General Motors Corporation, has saved $150,980.75. United Aircraft & Transport Corporation has saved $854,959.29. The Aviation Corporation of America has saved $313,454.44.

All told these five or six corporations had an advantage under the tax laws by reason of filing their consolidated returns of $2,046,967.28.

Taking, as an illustration, the small number of corporations just mentioned, we can well understand the tremendous advantage which the consolidated-returns provision gives to the large corporations of the country. It gives not only an advantage in the matter of taxes, but it gives a very decided advantage in the business world.

I call attention, Mr. President, to the kind of conditions which we are proposing to favor by this act. I am reading from a volume entitled "Power and the Public." In this volume, on page 16, it is said:

> Here is the Central Gas & Electric Co. of Delaware. That is a holding company, and either directly or indirectly holds and operates 57 companies in furnishing power and light to about 350 or 400 communities. Because it is a large concern and controls 57 operating companies, it has large credit, can employ the best engineering brains, and can operate these companies more intelligently and more efficiently for the community and for the investor than these separate 57 operating companies could do by themselves.

Under those conditions, why should the Government add to the advantage of the holding companies by lessening the amount of taxes which they pay? Again, it says:

> But now, to whom does the Central Gas & Electric Co. belong? To another holding company, the Central Public Service Co. And to whom does that belong? To the Central Public Service Corporation. That owns and controls the stock in the Central Public Service Co. And to whom does this Central Public Service Corporation belong? It belongs to the Public Utility Holding Co., which I believe does not hold all the stock in this company but enough to exercise a controlling influence in its affairs. And to whom does the Public Utility Holding Co. belong? It belongs to a concern which it is very difficult to define, a kind of hybrid holding-financing-trading-investment trust company, the American Founders.

From page 17 I read further:

> The United Founders owns three other investment trusts, which in turn are holding companies also—the American Founders Corporation, the American General Corporation, and the Investment Trust Associates. There are a great many others, but it controls these outright, owning from 70 to 90 percent of the stock. These holding companies in turn own another holding company, called United States Electric Power Corporation, or they have a large interest in it, which I will explain later. This United States Electric Power Corporation owns the Standard Power & Light Co., and that, in turn, controls the Standard Gas & Light Corporation. There are five layers of holding corporations. Then come the operating companies, of which I think there are 17 subsidiaries. I think one of them is an engineering company, which supplies management. There may be another company or two of that kind, but most of them are operating utility companies.

In another provision of this bill there is an express provision that the holding company may exempt from its income-tax return dividends received upon stock held in other companies, and thus in an intertwining, as it were, of these two provisions, the holding companies, the large companies, have a distinct advantage over the independent corporations in the matter of tax burdens.

I asked the tax experts to give me a statement upon this matter a few days ago, and I read the concluding paragraph of that statement. It is found upon page 6305 of the CONGRESSIONAL RECORD of April 10. The figures are now in the RECORD, and the experts, commenting on these figures, say:

> The foregoing statistics disclose some very interesting phases of the operations of consolidated corporations. While approximately 6 percent of all the corporations of the country are in the consolidated group, more than one half of the business transacted by all the corporations of the country was done by consolidated corporations.

In other words, these consolidated corporations are doing more than one half the business as against the independent corporations in the United States.

> The percentage of profit made upon gross sales is also very interesting. It is to be noted that the percentage of gross profit made by consolidated corporations upon their gross sales is between 2 percent and 2½ percent in excess of the gross profit made by separate corporations. While Bureau statistics of income do not afford sufficient data to permit of a computation of the net profit from operations, it is a well-known fact that many industries realize a net income from operations of only 2 to 3 percent of their gross sales. It can thus be seen that the margin of advantage enjoyed by the consolidated group is sufficient to put its competitors (single corporations) out of business. The excess percentages of gross profit realized by the consolidated group is also reflected in a like result in their statutory net income.

Now, Mr. President, I ask upon what possible theory should we give the advantage to the consolidated group in the matter of taxes when the very fact that they are operating as they are gives them an advantage in the business world over the independent corporations? It is one thing which has added, in my judgment, very greatly to the rapid increase of holding companies and of consolidated companies and of the disappearance of smaller independent corporations.

There is no reason in justice, there is no reason in practice, why these corporations should not make their separate and individual returns, and when we provide that they shall do so, we shall have all corporations upon the same basis and we shall deal with each and all upon a fair principle.

I ask, Mr. President, that we may have a yea-and-nay vote upon this amendment.

Mr. HARRISON. Mr. President, I hope the pending motion will not prevail. The committee has gone further than it has ever previously gone in the matter of consolidated returns. We now propose to put a tax of 13¾ percent upon all corporation profits, and then, if they file a consolidated return, we have raised the penalty in the present law, which was 1 percent, to 2 percent. In other words, under the bill as it is now written if a corporation files a consolidated return now, at its option, it has to pay 2 percent more than it would have to pay if it filed an ordinary corporation

return, so that it would pay for a consolidated return 15¾ percent.

It has been thought by the committee that it is necessary in some cases that consolidated returns be filed. It was pointed out by the railroads, for instance, that it was necessary for them to file consolidated returns, and it must not be forgotten by the Senate that certain States have laws respecting the doing of business by corporations, which make it necessary that a corporation doing business in a State must organize under its laws. As an example, the Postal Telegraph Co., which has to institute eminent-domain proceedings in order to construct its lines, and so forth, I am informed, has to incorporate in practically every State; and so there are practically 48 different corporations under it, but it has one bookkeeping process. So there are certain cases where consolidated returns, it seems to me, are reasonable and just. Of course, it is overworked in some instances, and certain concerns file consolidated returns that perhaps could stand on their own footing; but if they do arrange to file a consolidated return, the Government gets 2 percent more of the profits which they make than it would from the ordinary profits the corporation might make.

So, Mr. President, in view of the action of the committee in increasing the penalty provision for consolidated returns from the present 1 percent to 2 percent, thereby compelling corporations filing consolidated returns to pay 15¾ percent, I think this motion should be defeated.

Mr. COUZENS. Mr. President, there are undoubtedly some reasons for a consolidated return in cases such as have been referred to by the Senator from Mississippi, such as the Postal Telegraph Co. or other corporations that are engaged exclusively in one activity, but the viciousness of this section of the bill as it now stands is that it permits the filing of consolidated returns for other than allied industries, and thereby promotes an unfair competitive condition. Let me give as an example of the many cases which were discussed in the Finance Committee one of the large tire companies. It can open up a branch in California or in Michigan or elsewhere, and may lose money from the operation of such branch, but it may make a profit on a branch in Ohio. It wipes out its profit in Ohio by charging up the losses in Michigan or California, while independent manufacturers or merchants or whatever the organization may be in those localities cannot wipe out their profit by charging of losses in some other community. To that extent there is a very great disadvantage in the systems of consolidated returns to the competitive business situation.

I think if the amendment of the Senator from Idaho were agreed to, we could in conference draft a provision which would exempt those corporations which are engaged in a noncompetitive business and which are required by the statutes of the several States to take out separate articles of incorporation. For that reason, and because of the showing made by the Senator from Idaho, I think the amendment ought to be agreed to. Let us go to conference with it, and see if we can draft a provision which will not penalize those corporations that are required to take out separate articles of incorporation in various jurisdictions, such as the Postal Telegraph Co. or other corporations that are not in a highly competitive business.

Mr. NORRIS. Mr. President, the holding company——

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

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

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

The PRESIDENT pro tempore. Does the Senator from Nebraska yield for that purpose?

Mr. NORRIS. No, Mr. President; I do not care to do so.

Mr. LONG. The reason I desire to make the point is that we are discussing a very important question, and I dislike to see Senators come in here when the vote is about to be taken without knowing what we have been discussing.

Mr. NORRIS. There is a fairly large number of Senators present, and those who are not present are eating lunch, I presume.

The PRESIDENT pro tempore. Does the Senator from Nebraska yield for the purpose suggested by the Senator from Louisiana?

Mr. NORRIS. No; I do not yield.

Mr. President, the holding company is a modern institution, comparatively speaking. If there is any use for its existence that use is very small indeed compared to the number of holding companies and the evils which they bring about not only in the way of taxation but in every other respect. If a State requires incorporation, under its laws, of a foreign corporation doing business within its borders, why cannot the corporation incorporate in that State as well as in some other State, or organize a new corporation? If it makes the money in that State, why should it not pay an income tax on the money it makes there, even though it loses money in another State, where it would not be compelled to pay any tax at all?

There may be some instances where a holding company is necessary. If there are, and if this amendment shall be agreed to, the conferees will be able to work out such a proposition. Ninety-five times out of a hundred the holding company is a parasite. It is organized for the express purpose of deceiving the public and for obtaining something for nothing. The books are full of such instances. I called attention sometime ago in some remarks on the floor of the Senate to some of the things that have happened and which could not happen except through the instrumentality of the holding company. If it prospers, the burden, in the end, falls upon the people who have to support these pyramided companies which are built up in the air and controlled in the end by men who own but a very small proportion of the stock. A few men, with a comparatively little investment, can control millions of dollars' worth of property and are doing it now. Sometimes they fall by their own weight.

I hold in my hand a copy of the magazine known as "Current History" for March 1934 containing an article written by Mr. Hester. I want to quote just a little from that article. It is interesting to read it all. He says, in one portion of the article:

> Recent experience, however, makes it difficult to remember the good side of holding companies.

That is true. The experience we have gone through as a people during the last 10 years has demonstrated it is difficult, as the author says, to remember the good side, although the author claims there are some good sides and there is a place for the holding company; but it has grown to be a mammoth evil in this country, and I think in a great many instances has been organized for the very purpose of escaping taxation.

> About 3 years ago Martin J. Insull debated with James S. Bonbright, professor of finance in Columbia University, in the Public Utilities Fortnightly, on the question of regulation for public-utility holding companies. Mr. Insull took the negative, Professor Bonbright the affirmative. But today Martin J. Insull and his brother Samuel are fugitives from justice and the unregulated Insull utility empire is in liquidation. Moreover, many of Chicago's financial institutions as well as thousands of investors—

I believe the author could truthfully have said millions of investors—

> have been ruined because public utility and investment companies were unregulated.

We have under the law no proper regulation of holding companies where they transmit power, let us say, from one State to another; where they are in reality transacting an interstate business. If we go to the State authorities they will claim to be interstate in their operation. If we go before the Interstate Commerce Commission they will claim they are separate identities in the different States and should be regulated there.

The author tells in another place how we can put together a holding company with a little money:

> For instance, suppose we have an operating company or companies whose outstanding bonds, preferred and common stock, total $150,000,000, divided into three equal amounts. The common stock carries the voting rights, and hence the control. Some scheming bankers and their associates desire to gain control of

these companies. All they have to do is to buy 51 percent of the common stock, or invest a little more than $25,000,000.

So far in this picture we have $25,000,000 controlling $150,000,000.

As they do not want to invest that much, they form a holding company and issue stock and bonds for the amount of the original investment in the form of $10,000,000 bonds, $10,000,000 preferred stock and $5,000,000 common stock. Of the last they retain 51 percent—

That is, 51 percent of the $5,000,000 common stock—

or $2,500,000, which gives them control. But they desire to have even less in the enterprise, so that they form another holding company and again issue bonds and stock—$1,000,000 in bonds, $1,000,000 in preferred and $500,000 in common stock. Of the common they retain 51 percent, and thus by investing just over $250,000 control, by this method of pyramiding, properties valued at $150,000,000. Can it be said that such a maneuver benefits the properties or the public? To ask the question is to answer it.

Mr. President, in some remarks I made on holding companies on a previous occasion I said something that I want now to quote. At that time I spoke at some length. I read then from a work by Mr. Clay. At one point in his work Mr. Clay said:

At the hearings before the New York Revision Commission it was brought out that this company—

He was speaking of a holding company—

had outstanding 3 classes of common stock, 5 series of preferred stock, 8 series of debentures convertible into stock, either at the holder's or the company's option, 6 series of debentures convertible into debentures at the holder's but not at the company's option, and one series of investment certificates convertible at the option of the holder for a term of years and at the option of the holder or the company thereafter.

This, as the object is, as a rule, enables a comparatively small number of men to evade taxation, to take from undercompanies the revenue that should inure in theory to them, but which in practice, as the Senator from Idaho [Mr. BORAH] read, enables the holding group to claim that by having a vast amount under control they can employ better experts and do their work better. In practice it enables them to burden the companies in the lower part of their pyramid, bleed them and milk them, and line their pockets with unearned gold. Ninety-nine times out of a hundred that is the result.

This author said further:

The 250 match factories throughout the world are held at least in ostensible ownership by a corporation organized under the beneficent laws of Delaware and called the International Match Co. The money for this purpose is supplied mainly by investors who buy bonds and nonvoting stock. The actual ownership and control is in the hands of the concern that owns the class A stock. This stock is owned by the Swedish Match Co., and the Swedish Match Co. is controlled by the Kreuger & Toll Co., of Sweden. It gets a bit more complicated if you examine it more closely. Thus here we have in America several large match-making corporations. One is the Federal Match Co. Its stock is owned by a Swedish corporation called the Vulcan Match Co. That is in turn controlled by an American company, the International Match Co. Once again control crosses the sea to the Swedish Match Co., which is finally owned by Kreuger & Toll.

By the investment, I might add, of a very small amount of money practically controlling the match business of the world, putting smaller companies out of business, and which finally, as we all know, fell of its own weight.

I read here from an illustration which I once before called to the attention of the Senate—a case in which the holding company in the electric-light business showed what it could do. It was in the little town of Lewiston, Maine; and it is not an exceptional case. It does not come anywhere near many other illustrations of holding companies I have given in the remarks I have made, going very much further, controlling many more corporations than are involved in this illustration; but it shows what was happening at the time these remarks were made and, as a matter of fact, is happening all over the country now. It shows how a few holding companies pyramided, with a very small amount of capital, control millions and millions of dollars' worth of property; and the people who do business with them cannot even find out, unless they are experts, who owns the company that is supplying them, for instance, with electricity or gas, or perhaps water.

Up in Lewiston, Maine, the Lewiston-Auburn Electric Light Co. supplies current, or did then, to the inhabitants of Lewiston, Maine. Suppose you were a resident there and wanted to know who owned the company. This is what you would find if you employed an expert somewhere to do it for you:

The Lewiston-Auburn Electric Light Co. is owned by the Androscoggin Electric Co.

The Androscoggin Electric Co. is owned by the Androscoggin Corporation.

The Androscoggin Corporation is owned by the Central Maine Power Co.

The Central Maine Power Co. is owned by the New England Public Service Co.

The New England Public Service Co. is owned by the National Electric Power Co.

The National Electric Power Co. is owned by the Middle West Utilities Co.

And that, then, meant Samuel Insull.

Mr. BORAH. Mr. President——

Mr. NORRIS. I yield to the Senator from Idaho.

Mr. BORAH. Is it not fair to presume that, if we had a just taxing law, a law assessing a tax against all these corporations individually, a number of them would go out out of existence?

Mr. NORRIS. They would have to go out of existence. Some of them are organized for the purpose of evading taxation. There is not any use in putting all those corporations one on top of another to conceal the real situation. It is a method of deception by which the American people are deceived in all lines of business.

I think this amendment ought to prevail.

Mr. BONE obtained the floor.

Mr. MURPHY. Mr. President——

The PRESIDING OFFICER (Mr. ASHURST in the chair). Does the Senator from Washington yield to the Senator from Iowa?

Mr. BONE. I yield.

Mr. MURPHY. I was about to suggest the absence of a quorum in order that we might have a vote on the amendment of the Senator from Idaho, if we are ready to proceed with the vote.

Mr. BONE. If we are to have a quorum call and a roll call on this amendment, I will refrain from saying what I was about to say. I had thought perhaps we would not have a roll call on the amendment, and I desired to record myself as in favor of the amendment of the Senator from Idaho.

Mr. BORAH. I think we shall be able to get a roll call. If not, we shall be here a good while.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Idaho [Mr. BORAH], to strike out section 141 on page 110, relating to consolidated returns.

Mr. BORAH. On that I call for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceed to call the roll.

Mr. VANDENBERG (when his name was called). On this vote I am paired with the junior Senator from Virginia [Mr. BYRD]. Not knowing how he would vote, I withhold my vote.

The roll call was concluded.

Mr. LEWIS. I regret to announce that the Senator from Montana [Mr. WHEELER] is detained from the Senate on account of illness.

I desire to announce that the Senator from Virginia [Mr. BYRD], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Missouri [Mr. CLARK], the Senator from Oklahoma [Mr. GORE], the Senator from California [Mr. MCADOO], the Senator from Nevada [Mr. PITTMAN], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Utah [Mr. THOMAS], the Senator from Florida [Mr. TRAMMELL], and the

Senator from Maryland [Mr. TYDINGS] are necessarily detained from the Senate.

I also announce the absence of my colleague [Mr. DIETERICH], made necessary by litigation in his State.

Mr. WAGNER. I have a general pair with the senior Senator from Missouri [Mr. PATTERSON]. I transfer that pair to the junior Senator from Illinois [Mr. DIETERICH] and vote "nay."

Mr. STEPHENS. I am paired with the Senator from Indiana [Mr. ROBINSON]. I transfer that pair to the Senator from California [Mr. MCADOO] and vote "nay."

Mr. HEBERT. I desire to announce that the Senator from Pennsylvania [Mr. REED] has a general pair with the Senator from Arkansas [Mr. ROBINSON], and the Senator from New Hampshire [Mr. KEYES] has a general pair with the Senator from Florida [Mr. TRAMMELL].

The legislative clerk recapitulated the vote.

Mr. BARKLEY. Mr. President, I ask that the vote be again recapitulated.

The vote was again recapitulated.

The result was announced—yeas 40, nays 37, as follows:

YEAS—40

Adams	Couzens	Johnson	Norris
Ashurst	Cutting	La Follette	Nye
Black	Dickinson	Logan	O'Mahoney
Bone	Dill	Long	Overton
Borah	Duffy	McCarran	Pope
Brown	Erickson	McGill	Russell
Bulow	Frazier	McKellar	Schall
Capper	Gibson	McNary	Shipstead
Connally	Hastings	Murphy	Thomas, Okla.
Costigan	Hatch	Neely	Thompson

NAYS—37

Austin	Copeland	Hayden	Stephens
Bachman	Davis	Hebert	Townsend
Bailey	Fess	Kean	Van Nuys
Bankhead	Fletcher	King	Wagner
Barbour	George	Lewis	Walcott
Barkley	Glass	Lonergan	Walsh
Bulkley	Goldsborough	Metcalf	White
Byrnes	Hale	Sheppard	
Carey	Harrison	Smith	
Coolidge	Hatfield	Steiwer	

NOT VOTING—19

Byrd	Keyes	Reed	Trammell
Caraway	McAdoo	Reynolds	Tydings
Clark	Norbeck	Robinson, Ark.	Vandenberg
Dieterich	Patterson	Robinson, Ind.	Wheeler
Gore	Pittman	Thomas, Utah	

So Mr. BORAH's amendment was agreed to.

REDUCTION OF FEES IN NATURALIZATION PROCEEDINGS—RETURN OF AN ENROLLED BILL

The PRESIDING OFFICER (Mr. ASHURST in the chair) laid before the Senate a concurrent resolution of the House of Representatives (H.Con.Res. 35), which was read, as follows:

Resolved by the House of Representatives (the Senate concurring), That the President is requested to return to the House of Representatives the bill (H.R. 3521, 73d Cong. 2d sess.) entitled "An act to reduce certain fees in naturalization proceedings, and for other purposes", for the purpose of correcting an error in said bill.

Mr. COOLIDGE. I ask for the present consideration of the House concurrent resolution just read; and, if that request is granted, I shall move to agree to it.

Mr. MCCARRAN. Mr. President, will the Senator please explain what the concurrent resolution is?

Mr. COOLIDGE. The bill referred to in the concurrent resolution went to the White House; and the concurrent resolution that came to the Senate from the House of Representatives this morning does not state what the purpose of asking for its return is, except that there was some sort of an error in the bill. The bill is the one reducing naturalization fees which we passed here, and which passed the House; but I do not know what the error is.

Mr. MCCARRAN. Does the concurrent resolution pertain to the message we have just received from the House?

The PRESIDING OFFICER. The clerk will please read again the message from the House.

The legislative clerk again read the concurrent resolution.

Mr. MCCARRAN. What is the motion of the Senator from Massachusetts?

Mr. COOLIDGE. To concur in the House concurrent resolution with the request to the President that the bill be returned from the White House for correction.

The PRESIDING OFFICER. Is there objection to the present consideration of the concurrent resolution? The Chair hears none.

The concurrent resolution was considered and agreed to.

HOUSE BILLS AND JOINT RESOLUTION REFERRED

The following bills and joint resolution were severally read twice by their titles and referred as indicated below:

H.R. 2416. An act for the relief of Mrs. George Logan and her minor children, Lewis and Barbara Logan;

H.R. 2541. An act for the relief of Robert B. James;

H.R. 2561. An act for the relief of G. Elias & Bro., Inc.;

H.R. 2682. An act for the relief of Bonnie S. Baker;

H.R. 2689. An act for the relief of Edward Shabel, son of Joseph Shabel;

H.R. 2692. An act for the relief of Lula A. Densmore;

H.R. 2748. An act for the relief of A. C. Francis;

H.R. 2749. An act for the relief of E. B. Rose;

H.R. 2750. An act for the relief of Scott C. White;

H.R. 3161. An act for the relief of Henry Harrison Griffith;

H.R. 3300. An act for the relief of George B. Beaver;

H.R. 3302. An act for the relief of John Merrill;

H.R. 3345. An act to authorize the Department of Agriculture to issue a duplicate check in favor of the Mississippi State treasurer, the original check having been lost;

H.R. 3551. An act for the relief of T. J. Morrison;

H.R. 3579. An act for the relief of O. S. Cordon;

H.R. 3580. An act for the relief of Paul Bulfinch;

H.R. 3611. An act for the relief of Frances E. Eller;

H.R. 3614. An act for the relief of Clara C. Talmadge;

H.R. 3636. An act for the relief of Thelma Lucy Rounds;

H.R. 3705. An act for the relief of Julia E. Smith;

H.R. 3748. An act for the relief of Mary Orinski;

H.R. 3749. An act for the relief of Hunter B. Glasscock;

H.R. 3868. An act for the relief of Arabella E. Bodkin;

H.R. 3900. An act authorizing the Secretary of the Treasury to pay certain subcontractors for material and labor furnished in the construction of the post office at Las Vegas, Nev.;

H.R. 3952. An act for the relief of Grace P. Stark;

H.R. 3992. An act for the relief of C. A. Betz;

H.R. 4060. An act for the relief of Ellen Grant;

H.R. 4519. An act for the relief of C. W. Mooney;

H.R. 4659. An act for the relief of Carleton-Mace Engineering Corporation;

H.R. 4793. An act for the relief of Moses Israel;

H.R. 4832. An act for the relief of Edgar Sampson;

H.R. 4846. An act for the relief of Joseph Dumas;

H.R. 4847. An act for the relief of Galen E. Lichty;

H.R. 4928. An act for the relief of the Palmetto Cotton Co.;

H.R. 5284. An act for the relief of the Playa de Flor Land & Improvement Co.;

H.R. 5299. An act for the relief of Orville A. Murphy;

H.R. 5310. An act for the relief of John P. Seabrook;

H.R. 5405. An act for the relief of Nicola Valerio; and

H.R. 5689. An act providing for the advancement in rank of Frederick L. Caudle on the retired list of the United States Navy;

H.R. 6246. An act granting 6 months' pay to Annie Bruce; and

H.R. 6863. An act for the relief of W. B. Fountain; to the Committee on Naval Affairs.

H.R. 6871. An act for the relief of Austin L. Tierney; ordered to be placed on the calendar; and

H.R. 7437. An act for the relief of E. C. West; to the Committee on Claims.

H.J.Res. 315. Joint resolution granting consent of Congress to an agreement or compact entered into by the State of New York with the Dominion of Canada for the establishment of the Buffalo and Fort Erie Public Bridge Authority, with power to take over, maintain, and operate the present highway bridge over the Niagara River between the city of

Buffalo, N.Y., and the village of Fort Erie, Canada; to the Committee on Foreign Relations.

INTERNAL-REVENUE TAXATION

The Senate resumed the consideration of the bill (H.R. 7835) to provide revenue, equalize taxation, and for other purposes.

Mr. BORAH. Mr. President, I desire to offer one other amendment. I simply desire to finish up the matter we have in hand.

I move to strike out subsection (p) of section 23, on page 26. If the other matter goes to conference, this should go in connection with it.

Mr. HARRISON. Does the Senator expect to speak on this amendment?

Mr. BORAH. No; I am not going to speak on it unless I have to.

Mr. HARRISON. I very much hope the amendment of the Senator from Idaho will not be agreed to, because the subject he now deals with is quite different from that which was dealt with in his previous amendment. The present amendment deals with dividends paid by one corporation to another. The subject is quite different in character from the one covered by the Senator's motion to strike out the provision covering consolidated returns.

Mr. BORAH. I ask for a vote on my amendment.

Mr. GLASS. Mr. President, let us have an explanation of the proposal of the Senator from Idaho. I voted on the consolidated-returns amendment with many misgivings. I think holding companies as a general proposition are a curse; but, as I always do, I have tried to follow the committee when they consider a bill and report it. Let us have an explanation of this amendment.

Mr. BORAH. Mr. President, the amendment proposes to strike out subsection (p) of section 23. These are the deductions which may be made from gross income. The subsection reads as follows:

(p) Dividends received by corporations: In the case of a corporation, the amount received as dividends from a domestic corporation which is subject to taxation under this title. The deduction allowed by this subsection shall not be allowed in respect of dividends received from a corporation organized under the China Trade Act, 1922, or from a corporation which under section 251 is taxable only on its gross income from sources within the United States by reason of its receiving a large percentage of its gross income from sources within a possession of the United States.

I am seeking to strike out that provision because it permits holding companies to deduct from their corporate returns the dividends received from stock held in other corporations. I think it is a part of the same subject matter with which we have been dealing.

Mr. BLACK. Mr. President——

The VICE PRESIDENT. Does the Senator from Idaho yield to the Senator from Alabama?

Mr. BORAH. I yield.

Mr. BLACK. I wish to be perfectly clear as to the intent of the motion of the Senator from Idaho. I have not had an opportunity to read the section. Are we to understand that if this section is stricken out, the dividend which is originally paid by one company will be taxed, and then if the dividend is received by the next company it will again be taxed, so that the net effect of the Senator's proposal will be to discourage holding companies?

Mr. BORAH. Exactly.

Mr. BLACK. It tends in that direction; and we can vote for it with that understanding?

Mr. BORAH. That is my understanding. That is the reason why I have offered the amendment.

Mr. BLACK. I think the Senator is correct in his position.

Mr. HARRISON. Of course, Mr. President, if Senators desire to vote for the motion on the theory of striking out the provision and compelling these corporations to pay a tax on dividends, they can do it on the theory suggested by the Senator from Alabama, but that provision was in the law long before the provision concerning consolidated returns. I do not think the Senate desires to adopt a provision that if one corporation pays a dividend to another corporation, we shall tax that dividend, and that if it goes through 10 different channels, from one corporation to the other, every time it goes along it shall be taxed. That is what would be done in case the amendment of the Senator from Idaho should be adopted. I hope it will not be adopted.

Mr. BLACK. Mr. President, I desire to say just one or two words.

I am very heartily in favor of this amendment for the very reasons stated by the Senator from Idaho and because of the explanation given by the Senator from Mississippi. I thoroughly agree with the Senator from Virginia [Mr. GLASS] that holding companies are not conducive to good business management in this Nation.

This is the first opportunity we have had to express approval or disapproval of the holding-company system. I cannot see that holding companies are anything other than parasites upon the business structure of the country. I do not believe they add anything to the economical operation of business. I do not believe they have any place, except to pyramid profits in a way that is not to the best interests of the business itself, and is not to the best interests of the public. For this reason I sincerely hope we shall depart from the old custom which has been in existence.

It is true, as stated by the Senator from Mississippi, that heretofore the dividends have been exempted from taxation as they went up step by step. I have made some investigation in order to determine how we could best control holding companies. It is an almost impossible task. I have been utterly amazed at the profits that have been slipped into the reservoir of holding companies, as disclosed in certain investigations which have been conducted by the Senate. Holding companies are used in the main not for the purpose of aiding the consumer, not for the purpose of aiding legitimate stockholders, not for the purpose of adding anything to a sound, ethical business structure in this Nation. On the contrary, they are, as a rule, used for the purpose of concealing profits.

From the study I have been able to make during the investigation which has been in progress here for some time with reference to aviation, I do not agree that there are any advantages in the use of holding companies which can begin to compensate for the disadvantages which such companies impose upon the business in which they engage.

I will give the Senate an example: A man testified before a committee of the Senate. We showed him a chart of the business enterprises where there were interlocking directorates. He admitted that he did not know the names of all those companies, although he was the moving factor in the organization of them all. He could not even state the names of the companies from which he had drawn salaries as an officer. When the questions were asked, he turned around and asked his lawyer or his associates in order to ascertain whether or not he drew salaries from those companies.

There is another company which has been under investigation, which has absorbed, by mergers, 80 different corporations into one parent holding company. Business cannot be aided by such methods. It gives into a very few hands the control of all those companies, and the sad part of it is that it gives the control into the hands of people who cannot possibly know anything about the operations of the business.

In the case I spoke of a few moments ago, I asked that gentleman if he had any interest in a certain company, and at first he said he had not. His attention was called to the fact, however, that he had, and that he was an officer of the company, and had drawn $7,500 salary as an officer of the company. Of course he could know nothing whatever about the actual business operations of the company.

As far as I can see, the time has come when the Congress must determine on its policy as to holding companies; and I had intended offering some such amendment as the one which has been offered by the Senator from Idaho.

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

Mr. BLACK. I yield.

Mr. HARRISON. Is it the Senator's opinion that this amendment is confined to holding companies?

Mr. BLACK. It is my opinion that it is confined to the dividends that pass from one company to another company.

Mr. HARRISON. For instance, a bank might have to take over some stock in a corporation. It would be forced, under the provisions of this amendment, to pay the tax in such event. The provision is not restricted to holding companies at all.

Mr. BORAH. If that be true, the amendment ought to go to conference for the purpose of enabling the conferees to draw a different provision.

Mr. HARRISON. That is the trouble about legislating on the floor in connection with a matter like this.

Mr. BLACK. Mr. President, I am perfectly willing to admit that there might be some instances in which the dividends should not be taxed when they go to another company, but certainly this is the only opportunity we have had to vote on this question.

I may state that so far as I am concerned, the fact that a bank owns a corporation is no reason why the corporation should not be taxed again. The banks, through their holding companies, have obtained control of a large part of the business of the country, and a few banks in the eastern section of the country control and dictate the policies. I am perfectly willing to discourage their obtaining control of these large companies as they do. Some of the very instances I have in mind are those in which banks in New York, which can have no possible knowledge of the operations of a shipping company or the operations of an aviation company in certain parts of this country, get control of the company and determine its policies.

I have in the correspondence a letter from the president of one of these companies in which he calls attention to the fact that his board of directors is composed entirely of bankers and financiers, that they do not know anything whatever about the operations of the company, and he complains that he is deprived of having the benefit on his board of the services of men who actually know something about operating the business of aviation.

While it may be true, as stated by the Senator from Mississippi, that this provision would go farther than the conferees might think it should go, I certainly think it is a step in the right direction, and I shall vote for it.

Mr. GLASS. Mr. President, I do not pretend to know anything about holding companies outside of banking institutions; but I do know that holding companies in banking institutions have wrecked more banks and created more distress and destitution than one could reasonably conceive.

In the Banking Act of 1933 we put such severe restrictions upon banking holding companies that we apprehend they will be driven out of business. We wanted to treat them fairly and to give them due notice that that was the purpose of the act, over a certain period of time. I was induced by unintentional misrepresentation on the floor of the Senate to compliment the management of one of these banking holding companies in the State of Michigan, but it turned out to be the rottenest one of the whole group and to have produced more disaster than any banking holding company which was ever organized in the United States.

If I could believe that the adoption of this proposed amendment would put an end, in a given period of time, to holding companies, giving them ample opportunity to readjust their business relations, I would not hestitate to vote for it, and, in the circumstances, I am going to vote for it anyway in order that it may go to conference and that the matter may there be discussed.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Idaho [Mr. BORAH].

Mr. HARRISON. Mr. President, I am sure the Senate does not want to do something that would be unwise and that might disastrously affect certain institutions. We have done almost everything that is humanly possible in order to safeguard the Government against holding companies accumulating large reserves. We have gone so far as to write a new provision in the bill against holding companies, so that if they accumulate in their reserves more than 20 percent they are to be taxed not merely 13¾ percent but 30 or 40 percent. There is another provision in the bill relative to such accumulations where the tax runs as high as 50 percent if they act intentionally to keep from distributing their earnings and paying their taxes. One of the objects of the bill is to safeguard and plug up these loopholes. But what is proposed to be done by this amendment? It is now proposed in the case of every business institution in the country that has a legitimate reserve which it desires to invest, not for speculative purposes but legitimately in the purchase of some stock, and if a dividend is declared on such stock, to put a tax upon that reserve. That is something that has never before been done in the history of the country. Notwithstanding the fact that a corporation already pays the 13¾-percent tax, if the dividend should go through the channel of 10 other corporations, such dividend might pay 10 taxes. Insurance companies are oftentimes forced, in order to meet the demands of policyholders in case of death or for annuities, to invest their money in legitimate stocks. What is now proposed to be done is also to put a tax upon such investments. If the Senate wants to do that, let it go to it, and adopt the amendment, but I appeal to this body not to do something without having their eyes wide open.

Mr. HASTINGS. Mr. President, may I inquire of the Senator from Mississippi is it not true that in many cases corporations engaged in business in different States are compelled to take out corporate franchises in each of those States?

Mr. HARRISON. Yes; that is true, I may say to the Senator.

Mr. HASTINGS. And under this provision it would be necessary for them to pay an additional tax upon each of those corporations, as I understand the amendment?

Mr. HARRISON. Yes; it would be if earnings were paid by one corporation to the other.

The VICE PRESIDENT. The question is on agreeing to the amendment.

Mr. HASTINGS. I call for the yeas and nays, Mr. President.

Mr. NORRIS. I will agree to that.

The VICE PRESIDENT. The yeas and nays are ordered.

Mr. NORRIS. Mr. President, it seems to me that the Senator from Mississippi [Mr. HARRISON] and the Senator from Delaware [Mr. HASTINGS] are conveying an erroneous idea to the Senate about the effect of this amendment. The amendment does not provide for levying a tax on those companies, but it does provide if they shall make a profit they shall pay the tax. What is wrong about that? If they make no profit they will pay no tax. There is not in the amendment a provision to levy a tax if there is an investment made in another company; but if the other company is bought, and the purchasing corporation operates it as a business, and makes money on it, which is subject to the income tax law, why should it not pay a tax on the profits? It is not a proposition to tax them, but it is a proposition that if they are liable to the tax they shall not be excused therefrom. They are not exempt if they make money, but if they do not make any money they pay no tax. There is nothing unfair about that.

The Senator from Virginia [Mr. GLASS] has put his finger on the sore spot so far as banks are concerned. He has told the Senate the story that as to banks his investigations show that holding companies have created all kinds of misery and suffering. That is true in every other line in which holding companies have been active. If a State compels the organization of a corporation to enable business to be carried on within its borders and the corporation makes money, why should it not pay a tax? This amendment only provides that if such a corporation makes money it shall not have any exemption anywhere else. It is not necessary for a corporation, if it does not want to do so, to buy up other corporations over all the United States. It is not a question of making an honest investment. They are dishonest invest-

ments 99 times out of 100, made for the purpose of "skinning" the public. We have been noticing that for the last 2 or 3 years, in fact, having it thrown into our faces. No man on earth, not even God Almighty, could tell where holding companies really were, and when you put your finger on one corporation it was another corporation in some other State that was organized for the purpose of deception. There is no honest intention in ninety-five cases out of one hundred for the doing of an honest business.

Mr. HASTINGS. Mr. President——

Mr. NORRIS. I yield to the Senator.

Mr. HASTINGS. My understanding is that the subsidiary which pays the dividends will not only pay a tax but that the holding corporation which owns the subsidiary will have to pay an additional tax. Is that also the Senator's understanding?

Mr. NORRIS. If the holding company makes any money, it will have to pay. If a corporation makes money, it will have to pay; if it makes sufficient to be subject to taxation. All this amendment does, I will say to the Senator, is to prevent a corporation in filing a return from deducting a profit which some other corporation owned by it has made on which it will not have to pay any tax.

Mr. HASTINGS. For instance, suppose that an insurance company is doing business in more than one State, and that a certain other State requires that insurance company to take out articles of incorporation under its laws in order to do business; it is all controlled from one place; and under this proposed amendment, as I understand, the subsidiary corporation if it made any money would pay the tax; and if it paid a dividend to the parent company, the parent company would also pay a tax on that.

Mr. NORRIS. Not on that.

Mr. HASTINGS. Oh, yes; on that, too.

Mr. NORRIS. It pays a tax on its profit that it gets out of it.

Mr. HASTINGS. It would pay a tax on that particular dividend, as I understand. Is not that also the Senator's understanding?

Mr. NORRIS. I do not understand it in that way. In the first place, the Senator puts a proposition that I do not believe, with due respect to him, exists.

Mr. HASTINGS. I am not certain, and I should like to find out definitely, because that is what I think is true.

Mr. GLASS. Mr. President, an insurance company, if it is organized in New York and does business in 47 other States, does not have to form 47 different corporations; it simply has to procure a license to do business in the other States.

Mr. NORRIS. That is all.

Mr. HASTINGS. In some instances I think it does have to take out articles of incorporation in other States. Particularly is that so in the case of railroads.

Mr. HARRISON. Mr. President, I understand the Postal Telegraph Co. has to take out a charter in each of the 48 States. That is what I understand from the experts.

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

Mr. NORRIS. I yield.

Mr. LONG. I happen to know that each of those corporations has to file separate returns before the public-service commissions of the States where it does business, anyway; and there is no convenience in requiring it to file separate returns for its revenues, because it has to do it, I think, in practically every State of the Union anyway.

Mr. HASTINGS. The additional point is——

Mr. NORRIS. I yield to the Senator from Delaware.

Mr. HASTINGS. The additional point is that if the particular corporation in Louisiana makes a profit and pays a dividend to the parent company, the parent company also has to pay a tax upon that dividend again. That is the point.

Mr. NORRIS. Suppose it does; why should it not if it is making money?

Mr. HASTINGS. Very well; but I understood the Senator to say that he did not understand it to be that way.

Mr. NORRIS. I do not think the Senator was putting that question to me.

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

Mr. NORRIS. I yield.

Mr. LONG. I want to correct one statement made by the Senator from Nebraska, that 95 percent of these corporations were organized for dishonest or deceptive purposes. I will say that 99⅞ percent plus are created for no other purpose in the world than to cheat State bodies and State commissions and tax-receiving agencies of the State and Federal Governments and to make it almost impossible to trace their returns. That is the purpose of them.

Mr. NORRIS. I was prevented by the interruptions from referring to the suggestion as to insurance companies. I should like to do that now.

I do not claim to be an expert or anything of that kind, but I believe I can safely say that there is not a State in the Union that compels an insurance company to organize a new corporation for the purpose of doing business within its borders. Insurance companies have to comply with the laws of the State which probably provide a form of licensing or some method under which anyone who wants to sue them will have a place to sue and someone upon whom to serve summons. But I do not believe there is an instance where the New York Life Insurance Co., for instance, if it wanted to do business in another State would be compelled to organize, say, the Sun Insurance Co., which they would own, in order to do business in that State. It is not done in that way. They do not organize separate corporations; it is unnecessary; and the insurance companies do not do it.

Mr. BARKLEY. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Kentucky?

Mr. NORRIS. I yield.

Mr. BARKLEY. I am not in a position to dispute what the Senator has said about it, but I do happen to recall that in the State of Texas every railroad that passes through the State must organize a separate corporation under the laws of the State of Texas. I wonder if the State of Texas makes the same requirement of every other corporation which does business in the State?

Mr. NORRIS. I cannot answer the Senator's question. A railroad very often, or any other corporation sometimes, is required by the laws of a State to incorporate in that State an identical corporation. That will not harm them any. There is nothing about it that is wrong. There is no holding-company operation involved at all. It is not necessary to have a holding company to do an insurance business in any State in the Union—none with which I am familiar, and I am familiar with quite a number of them. In not a single instance is it required that there shall be a holding company, and there are no holding companies, if I understand the situation correctly.

But, after all, let us see what we have here. We have adopted an amendment striking out section 141. The pending amendment ought to follow as a matter of course. It is something that follows from the amendment which has already been agreed to by the Senate. When I left the Chamber to go to lunch after that amendment was adopted I supposed the adoption of this amendment would be only a matter of form. If the one amendment prevails, as it has, then the other ought to be adopted. It is a matter of necessity under the action the Senate has already taken. It is House language which the amendment would strike out. If the amendment shall not be adopted, the matter will not be in conference, even though the other amendment has been agreed to. We will have two conflicting provisions and we will be unable to remedy the situation. This amendment striking out the House language must be adopted or the subject will not be in conference.

Mr. HARRISON. Mr. President——

The VICE PRESIDENT. Does the Senator from Nebraska yield to the Senator from Mississippi?

Mr. NORRIS. I yield.

Mr. HARRISON. Of course, it is quite true that the question of taxing dividends paid by one corporation to another

would not be in conference if the amendment were not adopted. That is true. But there is no similiarity at all between the amendment now pending and the amendment adopted a while ago, the so-called "Borah motion", to strike out section 141.

Mr. NORRIS. I understood there was.

Mr. HARRISON. They are not affiliated at all. They have nothing to do with each other. That motion was to strike out the right to make consolidated returns and to require every corporation to file its own return. This is a different matter altogether. It is not akin to the other in any way. This is not confined to holding companies at all. This affects every corporation that declares a dividend.

Mr. NORRIS. It includes every holding company, as I understand. It applies only in case one corporation owns another corporation. That is the only instance where a corporation would want to get credit for a loss or a gain in a different corporation to make up a loss somewhere else in another corporation.

Mr. HARRISON. I know the Senator wants to be absolutely fair. Is it the Senator's understanding that this amendment would apply to corporations owning a controlling interest in another corporation, or where one group might own the control in other corporations?

Mr. NORRIS. Yes.

Mr. HARRISON. That is not so.

Mr. NORRIS. I think it is.

Mr. HARRISON. No; it is not so.

Mr. NORRIS. I do not see how it can be otherwise.

Mr. BORAH. Why is it not so?

Mr. HARRISON. Because that matter is dealt with in other provisions of the bill.

Mr. NORRIS. The amendment is to strike out this language:

> In the case of a corporation, the amount received as dividends from a domestic corporation which is subject to taxation under this title.

That is what they can take out as exemptions.

Mr. HARRISON. There is nothing there about holding companies.

Mr. NORRIS. They do not use the term "holding companies", but it prevents a corporation taking out as dividends that which it receives from another corporation. That is what makes a holding company. When one corporation owns another, it may be called something else, if the Senator desires, but it is a holding company just the same when one corporation owns another. The language provides that they can deduct from their returns the amount that is received from another corporation.

Mr. President, I want to add—and I should like to have the attention of the Senator from Mississippi—that the Senator from Mississippi, I think, has been remarkably fair in his management of the bill. We have a proposal here now pending—the amendment of the Senator from Idaho [Mr. BORAH]—that would strike out some of the House language. If that amendment shall be defeated, the question will not be in conference at all. If the amendment shall be adopted, the Senator from Mississippi and his fellow conferees will still have it under their control. The Senate is willing and glad to trust them to do the fair thing. If he can, by any kind of investigation, find a case where one of these holding companies ought to be exempted, we will have it inserted in the conference report or adopt language that will permit it.

The matter will be in the hands of the conferees. But if the amendment is defeated it is gone forever. If the amendment is defeated, the question is not in conference. It seems to me the Senator, with his usual degree of fairness, ought to accept the amendment.

Mr. HARRISON. I thought the Senator was trying to cut out the holding companies. What the Senator's amendment does is to affect every other kind of company.

Mr. NORRIS. The Senator from Mississippi can control that in conference. If there ought to be some exemptions, they can be provided. If we do not adopt this amendment, the hands of the Senator from Mississippi are tied so he cannot do a thing.

Mr. HARRISON. The Senator does not want to tax every dividend paid by one corporation to another, does he?

Mr. NORRIS. I would like to tax the holding companies, unless we can find an exemption for holding companies which can show a decent right to live. I would like to tax them all out of existence. I confess that frankly. I would like to get rid of them all. They are something that did not bother our forefathers. They have grown up under our modern system, and in my judgment they have done one of the greatest injuries to the American people they have ever suffered. Insull is an example of the evil, a fair example of it. Kreuger, in the match business, is another one. They are scattered all through the world, these financial kings, who have robbed the common people in order to make millions for themselves. Eventually they fall down of their own weight.

Mr. HARRISON. May I say to the Senator that the committee was carrying out that purpose in writing additional income taxes on holding companies which went as high as 20 percent above the 13¾ percent. Also, in addition to that we have the other provisions in the bill relating to accumulated profits.

Mr. NORRIS. Yes; and I commend the committee. I commend the Senator from Mississippi for doing that. Those are mostly personal holding companies, but we want an opportunity here, and I think the Senator from Mississippi ought to be with us, to carry the same doctrine into other cases. All we are asking now is to have this amendment adopted so as to put the matter in conference. It is the only hope we have. Without it all hope is gone beyond any possible redemption.

Mr. GLASS. Mr. President——

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

Mr. NORRIS. Certainly.

Mr. GLASS. As I understand, the proposed amendment is complementary to the amendment we have already adopted and against which I voted.

Mr. NORRIS. Absolutely.

Mr. GLASS. If one provision is to go out, the other ought to go out likewise, so they will both be in conference.

Mr. HARRISON. Mr. President, I do not want to delay the Senate, but all the experts tell me the two matters are not complementary at all and not akin at all.

Mr. BORAH. I do not know to what experts the Senator refers. He says "all the experts." Experts tell me that the amendments are related and ought to be considered together.

Mr. NORRIS. Mr. President, the suggestions made by the Senator from Mississippi and the Senator from Idaho have shown us how dangerous it is to adopt 100 percent, and accept as absolutely true, the statements of experts.

Mr. ADAMS. Mr. President, I desire to direct an inquiry to the Senator from Mississippi [Mr. HARRISON].

Am I correct in my understanding that if this amendment should be adopted, it would force every insurance company to pay the full corporate tax rate upon the income from every share of stock which it holds as an investment and would also compel the payment of the tax by testamentary trusts?

Mr. HARRISON. No; I did not say that, but it might in fire-insurance cases. Dividends from a corporation to the insurance company would be subjected to the tax twice; and they might be taxed on 10 different occasions down the line.

Mr. ADAMS. Would that be true also of testamentary trusts, where a corporate trustee was designated by will and the trustee invested the funds in corporate stocks?

Mr. HARRISON. The trustee would have to pay the tax on the dividends.

Mr. ADAMS. So that there would be a double tax.

Mr. HARRISON. And if a bank had to take up stock in some corporation, it would have to pay the tax on the dividends.

Mr. ADAMS. And then, upon the distribution, the beneficiary would pay his individual tax?

Mr. HARRISON. Oh, yes.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Idaho [Mr. BORAH]. On that amendment the yeas and nays have been demanded and ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. GLASS (when Mr. BYRD's name was called). I desire to announce that my colleague [Mr. BYRD] is unavoidably absent on official business.

The roll call was concluded.

Mr. HATFIELD (after having voted in the negative). I have a general pair with the senior Senator from Florida [Mr. FLETCHER]. I transfer that pair to the junior Senator from Rhode Island [Mr. HEBERT], who is detained on official business, and will allow my vote to stand.

Mr. BORAH (after having voted in the affirmative). I change my vote from "yea" to "nay."

Mr. FESS. I desire to announce that the Senator from Vermont [Mr. AUSTIN] is paired with the Senator from Alabama [Mr. BLACK]. If the Senator from Vermont were present, he would vote "nay", and if the Senator from Alabama were present he would vote "yea." These two Senators are detained in a meeting of the Committee to Investigate the Air Mail Contracts.

I also desire to announce the following general pairs:

The Senator from Oregon [Mr. MCNARY] with the Senator from Florida [Mr. TRAMMELL];

The Senator from Missouri [Mr. PATTERSON] with the Senator from New York [Mr. WAGNER];

The Senator from Pennsylvania [Mr. REED] with the Senator from Arkansas [Mr. ROBINSON]; and

The Senator from Maine [Mr. WHITE] with the Senator from California [Mr. MCADOO].

The Senator from Oregon [Mr. MCNARY], the Senator from Maine [Mr. WHITE], and the Senator from Vermont [Mr. AUSTIN] are detained on business of the Senate. The Senator from Pennsylvania [Mr. REED] and the Senator from Missouri [Mr. PATTERSON] are necessarily absent.

Mr. HARRISON. I regret to announce that the Senator from Montana [Mr. WHEELER] is detained from the Senate on account of illness.

I also desire to announce the necessary absence on official business of the Senator from Arizona [Mr. ASHURST], the Senator from Alabama [Mr. BANKHEAD], the Senator from Washington [Mr. BONE], the Senator from Colorado [Mr. COSTIGAN], the Senator from Illinois [Mr. DIETERICH], the senior Senator from Florida [Mr. FLETCHER], the junior Senator from Florida [Mr. TRAMMELL], the Senator from Illinois [Mr. LEWIS], the Senator from California [Mr. MCADOO], the Senator from Nevada [Mr. PITTMAN], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Maryland [Mr. TYDINGS], and the Senator from New York [Mr. WAGNER].

The result was announced—yeas 33, nays 39, as follows:

YEAS—33

Brown	Erickson	McGill	Schall
Bulow	Frazier	McKellar	Sheppard
Capper	Glass	Neely	Shipstead
Caraway	Hatch	Norris	Steiwer
Connally	Hayden	Nye	Thomas, Okla.
Couzens	Johnson	Overton	Thompson
Cutting	La Follette	Pope	
Dickinson	Long	Robinson, Ind.	
Dill	McCarran	Russell	

NAYS—39

Adams	Coolidge	Harrison	O'Mahoney
Bachman	Copeland	Hastings	Smith
Bailey	Davis	Hatfield	Stephens
Barbour	Duffy	Kean	Thomas, Utah
Barkley	Fess	Keyes	Townsend
Borah	George	King	Vandenberg
Bulkley	Gibson	Logan	Van Nuys
Byrnes	Goldsborough	Lonergan	Walcott
Carey	Gore	Metcalf	Walsh
Clark	Hale	Murphy	

NOT VOTING—24

Ashurst	Black	Costigan	Hebert
Austin	Bone	Dieterich	Lewis
Bankhead	Byrd	Fletcher	McAdoo
McNary	Pittman	Robinson, Ark.	Wagner
Norbeck	Reed	Trammell	Wheeler
Patterson	Reynolds	Tydings	White

So Mr. BORAH's amendment was rejected.

Mr. MURPHY. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 132, line 15, it is proposed to strike out the words "during the taxable year."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Iowa.

Mr. MURPHY. Mr. President, the Senate has imposed high income-tax rates, but it has left an opening as large as a barn door for the evasion of those tax rates.

In recent years many so-called "family trusts" have been created with no other purpose than to avoid high surtaxes on large incomes. Under trusts of this type, the grantor transfers his property to a trustee and provides for the payment of the income to the beneficiaries of the trust, the members of his family, but he retains the right to revoke the trust at any time.

Congress recognized the seriousness of this situation as it related to the revenues as early as 1924, and in the revenue act of that year enacted a special provision requiring the income from a revocable trust to be taxable to the grantor.

The right of Congress to tax the income to the grantor in the case of a revocable trust was upheld by the Supreme Court in the case of *Corliss* v. *Bowers* (281 U.S. 376).

Taxpayers found a way to get around the revocable trust provision of the 1924 act, which was incorporated in all subsequent revenue acts. The difficulty with the wording of the present statute is that the income is not taxable to the grantor unless he retains the right to revoke within the taxable year. Therefore, to avoid the tax, many so-called "year-and-a-day" trusts have been created. Under the terms of most of these trusts, the grantor does not have the power at any time during the taxable year to revest in himself title to any part of the corpus of the trust except upon written notice delivered to the trustee during the preceding taxable year. The courts have held that the income from such trusts is not taxable to the grantor, among the cases so holding being *Faber* v. *U.S.* (1 Fed. Supp. 859); *Lewis* v. *White* (56 Fed. (2d) 390); *Langley* v. *Commissioner* (61 Fed. (2d) 796); *Ashforth* v. *Commissioner* (26 B.T.A. 1188).

In the Langley trust the grantor reserved the right to revoke on the giving of a notice of a year and a day. Since notice was not given during the taxable year 1927 the court held that the income of the trust for 1928 was not taxable to the grantor, since during 1928 he could not revest title to the corpus of the trust. The Treasury Department has acquiesced in all of the above decisions.

As demonstrating the tax effect of these revocable trusts, under the pending bill a man with an income of a million dollars would pay a tax of $571,158. By splitting this income up into three family trusts, such as I have described, receiving one part of the income for himself, he will effect a tax saving of $108,358, since the tax on $250,000, or a quarter of a million, amounts to only $115,700.

Take the case of a man with an income of $100,000. If he sets up one of these trusts, so that $50,000 of the income will be paid to his wife, the other half being retained by himself, he will decrease his tax by approximately 50 percent. Of course, if he created several of these trusts, he could secure an even greater reduction.

If a man had an income of $200,000, and wanted to avoid the tax on that to himself, and split it up into three trusts of $50,000 each, retaining $50,000 for himself, his tax would be reduced, by that operation, from $80,240 to $29,760, representing a saving in tax to him of $50,480.

There is no use, when raising surtaxes, to leave the way open, by the creation of these revocable trusts, for the avoidance of the imposition of those surtaxes.

My amendment, by striking out the words "during the taxable year", would close this avenue of tax avoidance. I submit that the Chairman of the Committee on Finance

might well accept the amendment, and let it go to conference.

Mr. HARRISON. Mr. President, I may say that I have talked this matter over and had the experts look into it. I have no objection to the adoption of the amendment.

The PRESIDING OFFICER (Mr. CONNALLY in the chair). The question is on agreeing to the amendment offered by the Senator from Iowa [Mr. MURPHY].

The amendment was agreed to.

Mr. DUFFY. Mr. President, I present an amendment, which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 33, after line 25, it is proposed to insert a new section to read as follows:

SEC. 31A. Taxes of States, Territories, and the District of Columbia: The amount of income tax, or corporation tax measured by income imposed by any State, Territory, or the District of Columbia shall be allowed as a credit against the tax, but not exceeding 10 percent of the tax against which such credit is taken. Such credit shall be allowed as provided in section 131 and the provisions of said section, so far as applicable, shall govern.

Mr. DUFFY. Mr. President, through a misunderstanding, this matter was not presented to the Committee on Finance of the Senate.

In 1933 there was organized under the laws of the State of Wisconsin an interim committee on tax problems, and a part of their duty was stated to be as follows:

And is specifically instructed to bring to the attention of the Federal Government the equity of allowing a credit in the payment of Federal income taxes of income taxes paid to the States.

The Legislature of the State of Wisconsin, by joint resolution, on three different occasions has memorialized Congress to consider this problem. The interim committee had intended appearing before the Finance Committee, but through a misunderstanding as to when hearings would close they were unable to do so.

The income tax being the fairest of taxes, as we all recognize, and being based upon ability to pay, I think it should be encouraged in the several States. The State of Wisconsin imposed an income tax before the Federal Government did, as did several other States. I believe my State was the first whose income tax law was held valid by the courts.

Mr. President, 26 States of the Union are levying income taxes on both corporations and individuals. Two of them are levying taxes on the incomes of corporations only and one on the incomes of individuals only. Three of them impose taxes upon gross income. Two others tax income from intangibles only.

Although the income tax is a fair tax, and the States are increasingly using it, yet it does bring about an unfair situation with reference to States which do not have State income taxes, particularly where corporations or individuals are doing business in competition with corporations and individuals of other States where they are not subject to income taxation.

There is a policy which this Government has established with reference to inheritance taxes, under the law of 1926, which would seem to justify this amendment. Since 1924 an estate tax has been levied by the Federal Government. If the Senate imposes an inheritance income tax, one is allowed a credit up to 80 percent. I recognize that the Government is so greatly in need of funds that a larger figure than 10 percent, for which my amendment calls, might well be justified. Yet I think the adoption of this amendment would establish a policy which would give great emphasis to the movement in the States of the Union toward levying income taxes, where at least they are not prohibited from doing so by their State constitutions. The amendment is in accord with the resolution of the State legislature of my State, and in accordance with the request of the interim committee.

I have conferred with the experts here as to what they thought it would cost. I have presented it in two alternative forms, one in the form of a tax of 10 percent on corporations, and the other in the form of a tax on both corporations and individuals. The experts tell me frankly that, because the larger States have State income taxes, it might cost as high as $75,000,000, but it does seem to me that it would establish a precedent which should be followed, and would be of great assistance in leading the various States to impose income taxes. I therefore think the policy should be adopted. The amendment I have presented is in the form of an allowance of both individual and corporation income-tax credits.

Mr. HARRISON. Mr. President, of course anything the junior Senator from Wisconsin might ask would naturally appeal to me; but this amendment would cost the Government somewhere between $75,000,000 and $100,000,000. It is too much of an experiment, it seems to me, for the Federal Government to begin at this time. The Government could not stand the loss of the revenue, the amendment presents an entirely new policy, to which the committee has given no consideration, and I hope the amendment will be defeated.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. NYE. Mr. President, I send an amendment to the desk and ask to have it stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 13, after line 14, it is proposed to insert the following new section:

SEC. 14. Tax in the event of war: (a) Whenever Congress shall declare that a state of war exists, the income-tax rates then in force shall be increased by 100 percent: *Provided, however,* That in no case shall the tax so imposed, together with all other Federal, State, local, and foreign taxes imposed upon the same taxpayer exceed 98 percent of his entire net income: *Provided further,* That in no case shall the total of such taxes be less than 98 percent of each taxpayer's net income in excess of $10,000 a year. The 100 percent increase shall be further increased or diminished in order to come within these maximum and minimum limits.

(b) The tax imposed by this section shall be applicable to every year (whether calendar or fiscal) during any part of which the state of war shall exist, and to 1 year prior and 1 year subsequent to such period. The President shall by proclamation declare the date of termination of the war.

(c) The Secretary of the Treasury shall have power to prescribe regulations for the administration of the provisions of this section, which shall be construed as a part of the general income-tax law.

Mr. NYE. Mr. President, the purpose of this amendment would be that of accomplishing an increase in tax rates in the event of war, which in the case of incomes of $10,000 per year or less would provide a doubling of the tax rates. On incomes in excess of $10,000 per year the rate of taxation, roughly, would be 98 percent.

At first blush one is apt to consider this a most severe degree of taxation, and yet if we will consider what the requirements of life are, it is not difficult to see that the man with the huge income that was being taxed at so high a rate as 98 percent would still find himself with ample means to provide for himself and for his family. Certain it is that an income of $10,000 or $20,000 or $30,000 or $40,000, such as would be permitted under this amendment, would be sufficient to take care of the families of any one of those men who will be in the trenches, in the front lines, carrying on in the cause of country and flag during the time of war. I do not know why we should fret particularly about the question of confiscation, if that is what it amounts to, in event of war, for we have no hesitation whatsoever in confiscating lives, in confiscating limbs and bodies. We do not hesitate in time of war in confiscating the positions which the young men give up in order that they might carry on in the cause of their country. We show no hesitation at all in time of war in going out and destroying and damaging not only lives but property as well. Why, then, we should hesitate when it comes to what might amount to be confiscation of income, confiscation of wealth, is beyond me to understand.

In the one event as relates to life and relates to property and health we grind most ruthlessly in time of war. Why must we be so solicitous about taxing the huge incomes that accrue to individuals during time of war?

It has been very often said, Mr. President, that one of the surest ways of preventing war is to take the profit out of war. While there have been many theories advanced as to plans to end war and prevent war, I know of none that would go further than this plan of taxing profits and partly confiscating profits in time of war.

But it is asked, "Why do we not wait? Why act now? Why not wait until war comes, and then we can increase these tax rates to the extent that is being suggested now?"

I think, Mr. President, that the answer to that question is this: Instead of taking alone the profit out of war, let us take the prospects of profit out of war. Take the prospects away and, I am convinced from such consideration as I have given, that we would be much farther removed from the dangers of war than we are even at this particular hour.

Mr. President, taking the prospect of profit out of war, it seems to me, is a precaution we ought to heed at this time. If it be said we ought to wait until war is declared before we levy war-time tax rates, let us be reminded that when we went into the last war we did not move with great rapidity, indeed, we did not awaken to the terrific profits that men were making out of war until the war was over, and it was discovered that a single war had created in our country something like 22,000 millionaires. We waited too long. Let us not make the same mistake again.

And so if we were to move now, writing laws, writing regulations which would be convincing that another war was not going to permit men, institutions, or industries to reap these huge profits while men were giving their all in the front line of battle, we would have performed for our country a very splendid service.

There is not anyone in this Chamber who is not quite unalterably opposed to the thought of more wars, or to our engagement in more wars. Then that being the case, why, I ask again, Mr. President, wait to write tax rates that will prevail and that should prevail if another war were to be visited upon us?

The question of preventing more war is one that lends itself to much of discussion and is most inviting of debate. I feel that this amendment which is now before the Senate would go far in that direction.

Another splendid service to that end could be performed by the approval and passage of Senate bill 3356, which is a bill intended to put the United States onto a cash-and-carry basis in the event other nations engage in war and want to buy of us their supplies and their ammunition. That particular bill, which I have introduced, provides as follows:

> That it shall be unlawful for any person to transport or cause to be transported any articles or commodities from the United States, or any place subject to the jurisdiction thereof, in vessels registered under the laws of the United States, to any foreign country which is engaged in a dispute or conflict with another nation.
>
> SEC. 2. Whoever violates the provisions of this act shall, upon conviction thereof, be fined not more than $10,000, or imprisoned for not longer than 5 years, or both.

The purpose, Mr. President, of that legislation is very obvious. We are reminded that we may not be able to stay out of another world conflict; that when countries engage in war it might well be expected that one of them will be buying from the United States supplies, munitions of war; and that in their transportation to the purchasing nation they will be attacked by another warring nation, our American shipping will be sunk. To such an act the American flag must respond, and our soldiers and our sailors, our ships, must be thrown into that world engagement. So I say, Mr. President, that if we had legislation which left our markets open to foreign countries that wanted to buy from us while they were engaged in war, all well and good, but let them come, carry it away in their own shipping, under their own flag; not under the American flag, another great step in security of peace would be won.

Another splendid purpose could be served in the lessening of dangers of war by the adoption by the Senate of that resolution which has been approved by the Military Affairs Committee, approved by the Committee to Audit and Control the Contingent Expenses of the Senate, now on the calendar of the Senate, introduced by the Senator from Michigan and myself, calling for a sweeping investigation of the practices of our American munitions makers.

The question arises, What part do these manufacturers of arms play in the creation of wars and in the carrying on of wars? To the end that the American people and we ourselves in Congress might have knowledge of the very influential part which they do play in that emergency, I am hopeful that that particular resolution can very soon be taken up from the calendar, its passage accomplished, and a committee appointed to proceed with that sweeping study which is contemplated.

That investigation can be expected to ascertain what part of the American tax dollar ultimately reaches the manufacturer of munitions of war. It is known that in our normal expenditures as a Government today 75 cents of every tax dollar goes for the purpose of paying for war—past wars or future wars. What part of that 75 cents, what part of our total annual expenditures, is going to bolster up the commercial strength of those who are engaged in the manufacture of munitions?

We also ought to know how much of collusion there is on the part of manufacturers of munitions in their sales to the United States Government of armor plate and of other commodities that enter into our preparation for war.

We ought to know if it is true that American munitions makers engage in South America in programs which are intended to breed suspicion and fear between the countries of South America, suspicion and fear that invite to one thing—orders for more munitions to prepare for more war, to prepare for more of the military engagements of which these unfortunate countries have known so many.

What part do the munitions makers play and take in preventing the fuller accomplishments that are hoped for from peace conferences?

What part did the munitions makers play while our statesmen were in South America less than a year ago trying to accomplish peace and understanding?

What are the holdings of American banking interests in our munitions enterprises in America?

What part do the banks play in the accomplishment of sales of American munitions to countries that are bankrupt, to countries that decline to meet their obligations under their bonds? What makes it possible for them to keep buying munitions while they are defaulting upon their bonds? Do our American banking interests have any interest whatsoever in munitions enterprises in our country?

Another question that the investigation might help satisfy is how many Shearers are engaged by our American munitions makers to ply their trade in the lobbies of Congress and in the Legislative Halls of the Nation?

What part have the munitions makers played in preventing the successful outcome of efforts like that involved in the arms embargo effort of a year ago?

What part—and this is all important, it seems, Mr. President—what part of our preparation efforts as a nation are occasioned by the commercial objectives of war or preparation for war? How large an influence does the mere commercial interest of American industries play in building our preparation program, our plan to be prepared for another war? What practices do the munitions makers resort to in order to accomplish the awarding of contracts from their own Government and from other governments?

It would be very interesting, too, Mr. President, to know what part of the holdings, what part of the stocks of munitions enterprises are possessed by men and by interests who and which occupy dominating positions in our public life, who are leading our public thought and opinion with respect to national issues.

Those and other questions are such as we might hope to have answered if the investigation of which I speak should be undertaken. I repeat the expression of the hope that the Senate is going to permit that investigation to get very quickly under way. A poll of the Senate has revealed an overwhelming majority in this body in favor of it.

Getting back to the pending amendment, it may be asked, Mr. President, why should this amendment be pressed at

this time? There are those who insist that there is no danger of war, that war is not imminent at all, that we ought not to be concerned with it, and that we can deal with the tax problems involved soon enough when and if war does come. Mr. President, I think anyone who will face the facts will agree that there is just as much prospect of war in this world today as there was 2 or 3 months before the World War broke, almost 20 years ago. If, indeed, preparation is an invitation to war, then we may expect this world to be moving very directly into another terrible conflict such as was that of a very few years ago.

We find in the cause of preparation our own expenditures in the United States multiplied almost by three today over what they were in the years 1914 and 1915, before our entry into the World War. Whereas in 1915 the total cost of maintaining our Army and Navy was $343,000,000, during more recent years it has mounted to $840,000,000. Economy has pushed down expenditures slightly, but they are still in excess of $700,000,000 annually, or well over twice as much as we were spending in those years of peace before the breaking out of the terrible and great World War, the war that was going to end war. Our own preparations in America rather indicate that we have been the leader in the movement of preparing for more trouble. From 1913 to 1930 Great Britain's cost of preparation for war increased 42 percent, France's 30 percent, Italy's 44 percent, Japan's 142 percent, Russia's 30 percent, and the United States outdistanced them all with an increase in that same period of 197 percent.

Mr. President, we never consider the danger of war but that the finger is pointed toward that island over across the Pacific, and we are cautioned to keep our eye there; that that is going to be the source of our next trouble as a nation. Eleven years ago there was written for the magazine Asia an article which, it seems to me, ought to be brought to mind again, particularly here in the Senate. Eleven years ago that article was written reciting how impossible, how improbable was an engagement between the United States and Japan. The writer at that time declared—and I quote from the New Republic—

> The overwhelming opinion of naval experts on both sides of the Pacific is that a war between these two countries would come to nothing in any military sense. We could not possibly defend the Philippines or successfully attack the Japanese territory. The Japanese could not, except momentarily, invade the United States either directly or through Mexico. Recent naval inventions, instead of making long-distance warfare more feasible, has made it less so. Such a war would develop into a stalemate and a struggle of economic attrition. In this struggle the United States would be overwhelmingly superior.

The New Republic declares:

> We should like to call to the attention of the writer of that article of 11 years ago this passage from his article:
> "Tableau: Japan and the United States, four or five thousand miles apart, making faces at one another across a no-man's water as broad as the Pacific. Some genius might then arise to ask what it was all about and what the use was of the atrophy of national life and development. Or, to take a pessimistic view, jingo councils might prevail in both Nations until one or the other, or both, have bled to death through the pocketbook. If, then, it were realized by the people of this country and of Japan that a war would be a futile gesture, attended by no sufficiently compensating results, each Nation might be in a fair way to change its apprehensive habit of mind.

Mr. President, the writer of the article from which I have quoted was none other than the President of the United States when he was Assistant Secretary of the Navy or just after his retirement from that particular office. He speaks of a change in the "apprehensive habit of mind." If only such a change could be brought about, Mr. President, a world of good could be accomplished and suffering, economic and physical, could be avoided. Because we all want to attain that end I press an appeal for the passage of that kind of law at this time which will determine that in the event of more war there will not be tolerated that degree of profiteering which prevailed during the last war.

There has just come from the press a most interesting publication, revealing the antics of our American munitions manufacturers during the World War, and at other times. It is written by H. C. Engelbrecht and F. C. Hanighen, and has been given a title which fits the situation beautifully. Merchants of Death is the name of this new work. I wish to invite the attention of every Member of the Senate to this book which is deserving of their reading. It is a remarkable work, one about which a great deal is going to be heard. In this volume we find recorded some figures showing the profits enjoyed during the last war, profits that we certainly want to protect ourselves against in the event of further military engagements.

During 4 peace years the United States Steel Corporation enjoyed an average annual profit of $105,000,000, while during the 4 years of war its annual average profit was $239,000,000.

The du Pont interests during 4 years of peace found themselves enjoying an average annual profit of $6,000,000, while during 4 years of war they enjoyed an average profit of $58,000,000 annually.

The Bethlehem Steel Corporation in peace times had an average annual profit of $6,000,000, and in war times an average profit of $49,000,000 annually.

Anaconda Copper had an annual average profit of $10,000,000 in peace times, and an average in war times of $34,000,000.

Utah Copper, $5,700,000 in peace times and $21,600,000 in war times.

American Smelting & Refining Co., $11,500,000 in peace times and $18,600,000 in war times.

Republic Iron & Steel, $4,000,000 in peace times and $17,500,000 in war times.

International Mercantile Marine, in peace times $6,600,000 profits per year and in war times $14,000,000 in profits per year.

Atlas Powder Co., $485,000 profit in peace years per annum and $2,374,000 per year in times of war.

American and British manufacturing, $172,000 profit in peace times and $325,000 in time of war.

Canadian Car & Foundry, $1,300,000 in peace times and $2,200,000 in war times.

Crocker Wheeler Co., another munitions institution, $206,000 annually in peace times and $666,000 in war times.

Hercules Powder Co. in peace times had an annual profit of $1,200,000 and in time of war an annual profit of $7,430,000.

General Motors in peace times had a profit of $6,900,000 per year, and in war times $21,700,000 profits per year.

Mr. President, why should we hesitate, why should we delay for one moment writing now a provision which will say to those who might have an interest in another war, "In the event of another war your profits are going to be limited almost to the point of confiscation of the huge incomes which you take while men are bleeding, while homes are being deprived of the support they so desperately needed"? Why should we hesitate doing this particularly when we find our gigantic industrial enterprises in America reaching out at all times to enlarge upon their profits, no matter what the cost may be to humanity, no matter the suffering of mankind?

This volume, Merchants of Death, reminds us of an advertisement published by the Cleveland Automatic Machine Co. in the American Machinist, an advertisement having to do with a new discovery, the discovery of some new instrument that would bring death in terrible agony to men engaged in the defense of flag and country. I am going to insist upon reading this advertisement in part.

Speaking of the material this manufacturer had developed, the advertisement declares:

> The material is high in tensile strength and very special and has a tendency to fracture into small pieces upon the explosion of the shell. The timing of the fuse for this shell is similar to the shrapnel shell, but it differs in that two explosive acids are used to explode the shell in the large cavity. The combination of these two acids causes a terrific explosion, having more power than anything of its kind yet used. Fragments become coated with the acids in exploding and wounds caused by them mean death in terrible agony within 4 hours if not attended to immediately.

Listen to this further paragraph appearing in the advertisement:

From what we are able to learn of conditions in the trenches, it is not possible to get medical assistance to anyone in time to prevent fatal results. It is necessary to cauterize the wound immediately, if in the body or head, or to amputate if in the limbs, as there seems to be no antidote that will counteract the poison.

I continue quoting the advertisement:

It can be seen from this that this shell is more effective than the regular shrapnel, since the wounds caused by shrapnel balls and fragments in the muscle are not as dangerous, as they have no poisonous element making prompt attention necessary.

Now, here is a manufacturer, one who enjoys huge profits in time of war, one whose greatest prosperity is dependent upon war—here is one who develops not an instrument, not a tool, that is going to accomplish alone death or the disability of someone engaged in war, but is going to accomplish death "in terrible agony", to use his own language.

Profits! Profits! Mr. President, profit plays more of a part in preparing for war, in occasioning war, than any other one thing to which we might devote our attention. Because that is so emphatically true I have deep interest and concern in the amendment which I have offered, an amendment which, in the event of another war, would take that part of the profits of men in industries which is in excess of $10,000 a year and tax it to the extent of 98 percent.

Mr. President, I hope the amendment may prevail.

Mr. VANDENBERG. Mr. President, the pending amendment to the tax bill proposes the virtual confiscation of all war profits in the unhappy event of another conflict involving the United States. This raises, by implication, the whole question of a practical peace program for our country. Too much emphasis cannot be put upon the importance of the challenge involved in the amendment. It represents compulsory patriotism and practical pacifism. The length of the step proposed in the tax amendment is far less important than the direction of the step. The direction is the thing I am rising to applaud heartily and to support with all the earnestness at my command. The Senate here deals with the most powerful peace impulse which can be flung into the affairs of men.

It seems to me that the adoption of the amendment would be a major frontal attack upon the commercial motive in the war equation. The commercial motive in the war equation is public enemy no. 1 insofar as the promotion of practical peace is concerned. When an attack upon the commercial motive wholly succeeds, I am persuaded that the greatest possible peace insurance will have been developed. By the same happy token, national defense insurance also is promoted. The text of the pending amendment in its immediate detail may or may not be the appropriate mathematical calculation. That is immaterial. I repeat that it is the intent and the direction and the philosophy of the amendment which deserves the affirmative consideration of a Senate dedicated to the common welfare.

I want to point out, first of all, Mr. President, that this is no novel idea. It does not come here solely upon the responsibility of the author of this amendment which is offered from the floor. It has behind it credentials of utterly formidable character. It has behind it the accumulated authority of the work of the War Policies Commission, which was created by formal act of Congress in 1931, a body which met over a period of 12 months and devoted loyal service to the faithful quest for a formula, quoting the original resolution, "to promote peace and to equalize the burdens and to minimize the profits of war." That is a patriotic objective, a Christian objective, a democratic objective.

The War Policies Commission was made up of representatives of the Senate, appointed by the Vice President, representatives of the House, appointed by the Speaker, and representatives of the President's Cabinet, named in the original resolution. I want to indicate the personnel of the commission because I want to emphasize the importance of the credentials that lie behind this purpose to take the profit out of war by way of a tax amendment. It is not a matter born of casual adventure. It is no mere passing fancy. It is not a flash of pacific hysteria. It is the seasoned conclusion of a governmental clinic which reached a solemn verdict in the light of searching investigation.

These are the men who joined in the report of the War Policies Commission: The then Secretary of War, Patrick J. Hurley, chairman; Senator David A. Reed, vice chairman; Senator Joseph T. Robinson, of Arkansas; Representative John J. McSwain; Attorney General William D. Mitchell; the then Secretary of the Navy, Charles Francis Adams; the then Secretary of Commerce, Robert P. Lamont; Representative William P. Holaday; the then Secretary of Agriculture, Arthur M. Hyde; the then Secretary of Labor, W. M. Doak; Representative Lindley H. Hadley, who served as secretary; and myself.

I had the honor of being 1 of the 4 Members of the Senate who, by designation of Vice President Curtis, sat upon the War Policies Commission, who took this significant testimony over the period of a year, and who formulated this subsequent report which was laid at the bar of the Senate on March 5, 1932.

Mr. President, what is the crux, what is the kernel of the recommendations which were submitted by the War Policies Commission for the purpose of demonetizing the martial impulse? What was the chief weapon which the War Policies Commission forged in its effort to attack the commercial motive as it may stimulate war purposes and war programs?

I quote from the report of the commission, from its final recommendation:

In addition to all other plans to remove the profits of war—

And the commission reported a series of recommendations—

In addition to all other plans to remove the profits of war, the revenue law should provide that upon any declaration of war, and during the period of such emergency, individuals and corporations shall be taxed 95 percent of all income above the previous 3-year average, with proper adjustments for capital expenditures for war purposes by existing or new industries.

In other words, Mr. President, it was the considered judgment of a formidable joint official body representing the Congress and the Cabinet in 1932 that the profits should be taken out of war primarily by precisely the method which is proposed by the pending amendment. We blazed the trail which is rediscovered today in the pending tax amendment.

The unfortunate and unhappy thing is that when this thoroughly formidable and invincibly sustained report was submitted to the Congress in 1932 it received no consideration whatever of an affirmative, constructive character. Congress had no time for this great antiwar program. I introduced the legislation necessary to carry out all of these various purposes. The legislation lingered in committees and died in pigeonholes. Just one resolution finally passed the Senate, and that was a resolution calling upon the then Secretary of the Treasury to report to the Senate the mechanics of a proposal to implement this taxing recommendation of the commission. The then Secretary of the Treasury replied to the Senate that it was impossible, in advance of war itself, to develop a practical formula; that we must wait for the event.

Mr. President, that response was and is utterly inadequate to the situation to which we address ourselves. That response utterly negatives the purpose which we were and are seeking to obtain, because the prime importance of the whole movement is to notify in advance all American business, to notify in advance all those who may be affected in any degree, that if conflict ever again comes to the United States it is going to be a demonetized conflict so far as we can make it such. There are to be no more "war millionaires", because that phrase is not only a paradox but a curse upon the very word "democracy." There are to be no further favorites at home who capitalize for their own gain the sacrifices of their fellow citizens upon the battle line. Cash registers, in other words, will join in playing the national anthem, whether they wish or not.

The essential, primary purpose of the legislation is that its passage in time of peace shall notify all concerned that if and when the unfortunate, unthinkable thing of war again comes to the Nation, it must come on a basis without profits. It must come on a basis in which the burdens of the national defense are equalized. It must come on a basis of universal service so far as possible. It must come upon a basis which represents a fraternity in fact, a fraternity of effort to defend the flag and sustain the Republic. So I submit, Mr. President, that this pending amendment is nothing more nor less than the lengthened shadow of the report of the War Policies Commission, put effectually to work by way of repressive admonition.

It seems to me that one of the great influences of the movement, as I have already indicated, is its advance notification to all our people that war profiteering is dead in the United States; that no dollar sign ever again shall stain our battle banners; that this democracy, if ever again summoned to the martial reveille, will move forward in a common realization that it is all for one, and one for all in respect to the national defense. Then, if there be any influences which hungrily encourage war in contemplation of bloody dividends, cash from casualties—God save the mark!—they will know in advance that our America is done with all such death's head greed.

This is my idea not only of practical patriotism but also of practical pacifism.

I would leave no inference that there was any lack of fine patriotism on the part of many sectors of American business in the last conflict. Many sturdy business men dedicated themselves to the common cause with complete unselfishness. But it is common knowledge that many a pocketbook fattened at home while the A.E.F. was tramping down the valley of the shadow abroad. No such offense to equity and to democracy should be possible again, if ever again we are unavoidably caught in the grips of war.

Mr. President, let no one think that this movement to take the profit out of war, not only in the fashion indicated by the pending amendment but by the further important evolution to which I shall advert in a moment, lacks any interest on the part of the great mass of the American people themselves. The truth of the matter is that this movement to equalize the burdens of war, this movement to create universal service in time of war, was originally born in the conscience of our massed and embattled veterans. It found its initial spokesmanship in the resolutions adopted at the first national convention of the American Legion. The veteran himself—the man who has paid the price—is the man who is primarily interested and concerned in doing the precise thing which is here undertaken; and year after year the one great constructive dedication to which the American Legion in convention after convention has pledged its continuous faith is the movement to take the profit out of war, and to equalize these burdens, and to create a universal service in the national defense.

Nor is that all. The American Federation of Labor, at its last national convention in Cincinnati, directly resolved upon the necessity of an inquiry into the nationalization of the entire munitions business, again, as it will be seen, pointing its suspicions toward the malignant influence of the commercial motive in respect either to the national defense or to the preservation of the country in time of actual challenge.

We have the American Legion, we have the American Federation of Labor, squarely joining in this challenge. I suspect that we have every peace society in the land joining in the challenge. I suspect that we have every religious impulse in the land joining its prayers to this movement. It is a movement that cannot be wholly answered merely by the pending amendment, because that only touches the outer rim of the problem. But this is the only point at which the Senate, in this particular consideration, can deal with this phase of the national problem. Beyond the pending amendment is the great fundamental question which is raised by the pending Senate Resolution 206.

This, Mr. President, is the resolution which is sponsored by the Senator from North Dakota [Mr. NYE] and me. For purposes of easy identification, it is known as the Nye-Vandenberg resolution. It represents the consolidation of two previous resolutions seeking in parallel lines to reach a common focus, one presented by my colleague from North Dakota and one presented by me.

This resolution has the unanimous recommendation of the Senate Committee on Military Affairs. It has the unanimous recommendation of the Senate Committee to Audit and Control the Contingent Expenses of the Senate. It is pending on the calendar as Order of Business No. 623. It goes into the larger implications of this problem, which, I repeat, are typified and personified in one phase by the pending amendment.

I desire to read two or three sentences from the preamble of this resolution, because in these sentences rests the challenge which finds its first expression in the pending tax amendment, but which finds its larger expression in the resolution calling for the inquiry described in the resolution.

This resolution addresses itself to these propositions:

First, that the influence of the commercial motive is an inevitable factor in considerations involving the maintenance of the national defense.

Second, that the influence of the commercial motive is one of the inevitable factors often believed to stimulate and sustain wars.

In view of those theses, the resolution proposes that a select committee of the Senate, to be named by the Vice President, shall inquire into all phases of munitions influences at work in respect to the foreign policies of the United States or our contracts with any of its neighbors; shall inquire into all the influences of a doubtful or questionable character, if any, which may be at work within our own country in respect to our own national-defense proposals; shall review the antiprofits program of the War Policies Commission and give them life; shall particularly undertake to discover whether or not the actual nationalization of the munitions business of the land, by license or otherwise, may not be the most complete control of the defense factor and the peace factor, and the greatest possible guarantee of a pacific net result in the contacts of mankind.

The resolution is unanswerable in its challenge, Mr. President, and I am unable to believe that the Senate will permit it long to linger upon the calendar. As a matter of wise procedure, Mr. President, I would gladly refer the pending tax amendment to this new board of inquiry, instead of risking a vote upon it here this afternoon, if the Senate would interrupt its consideration of the pending bill long enough to pass the so-called "Nye-Vandenberg resolution."

I ask that the full text of the resolution may be printed in connection with my remarks at this point.

The PRESIDING OFFICER (Mr. POPE in the chair). Without objection, it is so ordered.

The resolution (S.Res. 206) submitted by Mr. NYE and Mr. VANDENBERG on the calendar day of March 12, 1934, is as follows:

Whereas the influence of the commercial motive is an inevitable factor in considerations involving the maintenance of the national defense; and

Whereas the influence of the commercial motive is one of the inevitable factors often believed to stimulate and sustain wars; and

Whereas the Seventy-first Congress, by Public Resolution No. 98, approved June 27, 1930, responding to the long-standing demands of American war veterans, speaking through the American Legion, for legislation to take the profit out of war, created a War Policies Commission, which reported recommendations on December 7, 1931, and on March 7, 1932, to decommercialize war and to equalize the burdens thereof; and

Whereas these recommendations never have been translated into the statutes: Therefore be it

Resolved, That a special committee of the Senate shall be appointed by the Vice President to consist of seven Senators, and that said committee be, and is hereby, authorized and directed—

(a) To investigate the activities of individuals and of corporations in the United States engaged in the manufacture, sale, distribution, import, or export of arms, munitions, or other implements of war; the nature of the industrial and commercial organizations engaged in the manufacture of or traffic in arms,

munitions, or other implements of war; the methods used in promoting or effecting the sale of arms, munitions, or other implements of war; the quantities of arms, munitions, or other implements of war imported into the United States and the countries of origin thereof, and the quantities exported from the United States and the countries of destination thereof; and

(b) To investigate and report upon the adequacy or inadequacy of existing legislation, and of the treaties to which the United States is a party, for the regulation and control of the manufacture of and traffic in arms, munitions, or other implements of war within the United States, and of the traffic therein between the United States and other countries; and

(c) To review the findings of the War Policies Commission and to recommend such specific legislation as may be deemed desirable to accomplish the purposes set forth in such findings and in the preamble to this resolution; and

(d) To inquire into the desirability of creating a Government monopoly in respect to the manufacture of armaments and munitions and other implements of war, and to submit recommendations thereon.

For the purposes of this resolution the committee is authorized to hold hearings, to sit and act at such times and places during the sessions and recesses of the Congress until the final report is submitted, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the Commission, which shall not exceed $50,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

Mr. VANDENBERG. Mr. President, this afternooon the able Senator from North Dakota has submitted various challenging exhibits bearing upon this proposition. I doubt whether any man who sat in this Chamber a few weeks ago and heard the distinguished Senator from Idaho [Mr. BORAH] lay down an even broader challenge in respect to the influence which the munitions influence has not only upon the thinking of America but upon all of the pacific undertakings of all this whole wide world can for a moment decline the challenge which is here presented for a conclusive investigation to find out whether or not we shall be allowed to live at peace among ourselves and with our neighbors without artificial encouragements to friction and to misunderstanding, then to conflict, and then to disaster. If our own land is free of these sordid intrigues which we know to exist elsewhere, the proof of that cleansing fact would itself more than justify this effort.

Mr. President, it is interesting to note, in this connection, that one of the labor members of the Canadian Parliament this same week has suggested in the Parliament across the line that the governmental control of Canadian nickel might be the control of the fundamental element necessary in the production of the instrumentalities of war, because nickel is of such a primary concern in all of these operations. That is a precise paraphrase, in one aspect, of the proposal which I am arguing to our own Senate this afternoon.

I ask that an editorial in the Evening Star entitled "No Nickel, No War?" be inserted in the RECORD at this point.

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

[From the Evening Star, Washington, D.C., Mar. 31, 1934]

NO NICKEL, NO WAR?

It has remained for Mr. J. S. Woodsworth, a Canadian Labor member of Parliament from Winnipeg, to propose a brand-new method for preventing war. His remedy is simple. He would make it impossible for nations to purchase nickel for armament purposes, especially armor plate, in the manufacture of which it is an essential ingredient.

As Canada has practically a monopoly of nickel, supplying 90 percent of the world's needs, Mr. Woodsworth favors nationalizing the commodity. It is due to increased war preparations, he suggests, that the output of nickel has more than doubled during the past year. Canada, it is proposed, should control both the output and its destination, so that nickel would not fall into the hands of armament makers. With war clouds gathering on the international horizon, Mr. Woodsworth thinks that the Dominion has a wonderful opportunity to fight on a dozen different fronts in this great war to end war.

It is a stimulating notion. Its patentee intermingles realism with his idealism when he admits that there would be some difficulty in government interference with such a big industry, but he reverts to the utopian by suggesting that in an international emergency the rights of stockholders should be sacrificed to the cause of humanity.

Mr. Woodsworth proposes that the League of Nations be asked to crack the nut and evolve a method of embargoing nickel along with narcotics.

Mr. VANDENBERG. Perhaps, as indicated in the editorial, this effort is utopian. But it bespeaks a philosophy and an ideal worth pursuing. Furthermore, this is supposed to be a practical age; and the practical fact is that competition in armaments is an impractical futility. I read just one contemporary news despatch from Sheffield, England:

The latest armor-piercing shell made in Sheffield was described today by Sir Robert Hadfield, famous metallurgist. It weighs nearly a ton. When fired at armor-plate thickness equal to the caliber of the gun, it not only perforates the plate without breaking, but has sufficient velocity to go 9 miles farther.

Who can speak of "the next war" in terms of dependable knowledge respecting the weapons with which it would be fought?

Who knows? Nobody knows! We each strive to outsmart the other. No; the effective attack upon the institution of war is an attack upon the war psychology, and an attack upon the commercial motive strikes at the heart of the problem. Indeed, I firmly believe it means more to honorable peace than either leagues or courts.

Mr. President, let me say very frankly that in many respects the Senator from North Dakota and I approach this problem from different viewpoints. Indeed, the interesting thing to me is that men who do have different viewpoints, relatively speaking, in regard to preparedness and in regard to the national defense, can find such a completely common ground as we find in respect to this particular pending amendment and in respect to the resolution to which I have adverted. The Senator from North Dakota, for example, voted against the Vinson Navy bill. I voted in favor of the Vinson Navy bill.

I do think it is important that the country should have its attention more directly focused on the statement made by the President of the United States when he signed the Vinson bill, because he signed it in the spirit in which I voted for it, and that is a totally different spirit from what has been ascribed to it by many critics. I ask that this statement may be inserted in the RECORD at this point in my remarks.

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

TEXT OF STATEMENT

The President's statement follows:

"Because there is some public misapprehension of facts in relation to the Vinson bill, it is only right that its main provisions should be made wholly clear.

"This is not a law for the construction of a single additional United States warship.

"The general purpose of the bill is solely a statement by the Congress that it approves the building of our Navy up to and not beyond the strength in various types of ships authorized, first, by the Washington Naval Limitations Treaty of 1922, and, secondly, by the London Naval Limitations Treaty of 1930.

"As has been done on several previous occasions in our history, the bill authorizes purchase and construction over a period of years. But the bill appropriates no money for such construction, and the word 'authorization' is, therefore, merely a statement of the policy of the present Congress. Whether it will be carried out depends on the action of the future Congresses.

"It has been and will be the policy of the administration to favor continued limitation of naval armament. It is my personal hope that the naval conference to be held in 1935 will extend all existing naval limitations and agree to further reductions."

Mr. VANDENBERG. Mr. President, let it be noted that we did not appropriate a single dollar for a single additional battleship. We merely declared a policy, and thus put the world on notice that arms limitations must be a matter of mutual participation. I share President Roosevelt's philosophy in this respect, despite what I have said of the impractical futility of competitive armaments.

With another naval conference pending in 1935–36, I believe the United States is in an infinitely stronger position to exercise a persuasive influence and an authoritative voice in discussion with other major naval powers, if we shall have made it plain that our international neighbors cannot expect our naval power to be reduced except as they join us in mutual limitations.

Despite all philosophy and metaphysics to the contrary, I believe in the importance of rational preparedness.

But this is beside the present point.

I have diverted only to indicate that two schools of thought, which may differ respecting the national defense, can find common ground, without division, without reservation, without equivocation, and without even a split hair between us in dedication and objective, when the promotion of peace by the demonetization of war is the issue.

The travesty of a competitive world race in armaments is beyond mitigation. It is competition in the agencies and instrumentalities of mass murder.

The travesty of war itself—except as a last defensive resort—must impress the conscience of every citizen.

This does not depreciate the martial triumphs of the past, nor the heroic sacrifice of our men in uniform who have placed their hearts upon the altars of the Republic. This does not deny our historic obligation to the defenders who have consecrated our institutions with their blood. This does not underestimate the desperately important service still rendered us every hour by those who continue to hold themselves in readiness again to serve and save us in an emergency. On the contrary, it is in their name that we owe civilization our maximum effort to prevent needless and futile and sterile conflict in this modern world.

I do not believe in disarming America in the midst of an armed world. Such unshared idealism would be a menace both to our own security and to the persuasive influence which we might hope to exercise upon the armed aspirations of others. It would not aid peace for us or for the world.

But I profoundly believe in stressing the formula and the philosophy of mutual disarmament by international agreement to the utmost limit. The United States must urge ever forward in this cause. There is no uniform effort of this nature to which we dare dissent. It is our tradition. It is our creed. It is our practice. It is our aspiration.

Yet when we are put upon notice that the world's most conscientious efforts in this direction are constantly jeopardized by the intriguing influences of an international munitions lobby, which thirsts for the blood of war as the wellspring of its prosperity, we certainly are warned that practical pacifism must attack and conquer this commercial motive before it can succeed in bringing its pacific benediction to the earth.

I do not know whether this malignant influence is in any degree persuasive within our own United States or not. Under the Nye-Vandenberg resolution we can find out; and we can find out many other useful things.

I favor an everlasting end to anything that smacks of a munitions lobby, here or elsewhere, or that reflects the commercial war motive at work. Then, and only then, can rational neighborliness have a fair chance to compose itself in peace.

Many believe—and some undertake to prove—that the profits factor not only engenders deliberate international frictions which seek sordid toll out of resultant trouble but also that wars often are prolonged by this same horrible stimulant.

I favor an end not only to the stimulant but also to any suspicion of an opportunity that it may ever again curse and victimize our people.

Obviously, then, I favor the theory and philosophy of the pending amendment to the tax bill, because it marches in the right direction, and I repeat that the commercial motive at work in this war equation is public enemy no. 1 as respects the true cause of real peace. The tax amendment should be adopted, or, far better, the Senate should suspend its regular order long enough to pass the so-called "Nye-Vandenberg resolution" this very afternoon and then let the tax amendment be explored, along with these other problems, by the proposed board of inquiry.

Mr. President, I ask that at the conclusion of my remarks a most illuminating article appearing in the Detroit News on this subject be printed in the RECORD, and that a pertinent editorial from the New York World-Telegram may also be printed in the RECORD.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

(See exhibits 1 and 2.)

Mr. VANDENBERG. Mr. President, in conclusion, I urge that the pending amendment be agreed to, because it is the first effort that has yet been made in Congress to carry into effect the splendid report of the War Policies Commission, submitted 2 years ago upon the highest authority of the Government, and heretofore completely and utterly and disappointingly ignored; or I urge that the Senate take the larger view and the longer step and approve Senate Resolution 206 and send the tax amendment to this new body for review.

EXHIBIT 1

[From the Detroit News]

MUNITIONS MEN FACING SENATE INVESTIGATION—SPECTACULAR REVELATIONS ARE EXPECTED IF INQUIRY IS AUTHORIZED—MOVE LAUNCHED BY VANDENBERG AND NYE TO TAKE THE PROFIT OUT OF WAR

By Jay G. Hayden

WASHINGTON, March 17.—The most interesting and spectacular of all the parades of banking and industrial moguls which are marching across the Senate stage these days may be the investigation of munition makers, scheduled to take place during the coming summer.

The Committee on Military Affairs on Friday unanimously approved a resolution drafted jointly by Senators VANDENBERG and GERALD P. NYE (Republican) North Dakota, which calls for an examination of the munition-making business in all its phases, both domestic and foreign.

The resolution will be reported to the Senate Monday, and before the end of the week it almost certainly will be passed and the select committee of seven which it proposes to conduct the investigation appointed.

PLANS ARE LAID

Under the tentative plan the committee will be headed by Senators MORRIS SHEPPARD, Democrat, Texas, Chairman of the Military Committee, and M. M. LOGAN, Democrat, Kentucky, chairman of a military subcommittee which favorably reported the Vandenberg-Nye resolution.

The Republican members of the committee almost certainly will be VANDENBERG, NYE, and WILLIAM E. BORAH, of Idaho, if the latter can be persuaded to serve. BORAH has been a leader in crusading against excessive war profits throughout his nearly 30 years in the Senate, and his former chairmanship of the Foreign Relations Committee particularly qualifies him to deal with the international phases of the inquiry.

The resolution would authorize a thorough-going inquiry into the export and import of war materials. One of the surprises of the present situation is that the State Department, which heretofore has frowned on any such investigation on the ground it might injure our relations with foreign nations, has entered wholeheartedly into preparation of the Vandenberg-Nye resolution.

Not only is Secretary of State Cordell Hull thoroughly in sympathy with the project, but his actions have been taken as indicating that President Roosevelt also wants the investigators to go the limit.

INTEREST IN REVOLTS

There is, for example, the interesting question, frequently raised but never answered, as to the degree to which American munition makers have figured in the frequent revolutions in the nations of South and Central America.

The committee particularly is expected to inquire as to the relationship between loans made by American banks in South and Central America and orders for munitions placed with American manufacturers.

Further, it would like to know the extent to which military factions in China have been supplied with equipment by American plants, and, even more interesting, whether it is true as has been charged that the United States has supplied a considerable part of the war materials Japan has been so busily collecting.

It is remembered that a few years ago the country was startled by the disclosure that three of the largest American warship builders had paid William B. Shearer $25,000 to conduct propaganda at the naval conference at Geneva in opposition to any further limitation of armaments.

CITES ARMS DELEGATES

Senator BORAH, speaking in the Senate a few days ago, brought out the fact that a French delegate at the unsuccessful disarmament conference in 1932 was Charles Dumont, an official of the Schneider, Creusot firm of munition makers, and that the British delegation included Col. A. G. C. Dawney, brother of a director of Vickers-Armstrong, largest of the British armament manufacturers.

The committee would like to find out the extent to which munition manufacturers have figured in each of the disarmament conferences held since Charles Evans Hughes first convened the naval powers in Washington in 1921.

Senator BORAH also read into the RECORD excerpts from a recent magazine article, alleging that French munition makers joined with those of Germany to elevate to power Adolph Hitler, "the one man most capable of stirring up a new outbreak of international anarchy in Europe."

The article declared further that when Hitler came into power, the same French munition makers, through the newspaper which they control, "immediately broke out in a fever of denunciation

against the Hitler regime and called for fresh guaranties of security."

"Capone or Dillinger are not more heartless and bloodthirsty than the man who builds up armaments in another nation for the purpose of sending his own people to the front that he may furnish the means by which to murder them", declared BORAH.

LAUNCHED BY LEGION

The present movement for taking the profit out of war armaments had its inception in a resolution adopted by the American Legion soon after its organization. Due to continuing demands of the ex-soldiers, Congress finally created a War Policies Commission, which, in 1929, after an exhaustive hearing, reported in favor of two major steps: first, to freeze all prices as of the day on which a war is declared, and, second, to assess a tax of 95 percent on all profits, during the war, in excess of the average during the previous 3 years.

Senator VANDENBERG was a member of this War Policies Commission, and his interest in the subject never has lagged since that time. In three successive Congresses he has introduced bills to put the Commission's proposals into effect, only to have them tied up in the Committee on Military Affairs.

During the time that Senator DAVID A. REED (Republican), Pennsylvania, a State in which manufacturing of war materials is a major industry, was Chairman of the Military Committee it was impossible even so much as to secure a hearing on the proposition—this despite the fact that REED himself had been a member of the War Policies Commission.

GOES STEP FARTHER

Senator VANDENBERG, in the present Congress, went farther. He introduced a resolution to have a new investigation which would not only review the work of the War Policies Commission but would examine also profits from the manufacture of war materials in peace time, particularly considering "the desirability of creating a Government monopoly in respect to the manufacture of armaments and munitions and other implements of war."

Senator NYE about the same time introduced a resolution, calling for investigation by the Foreign Relations Committee of American imports and exports of arms and all the circumstances surrounding them. These two resolutions have been combined to provide for the present select committee.

Discussing the proposed investigation, Senator VANDENBERG said:

"I believe in the maintenance of a completely adequate national defense so long as we live in an armed world. But I believe in promoting a disarmed world to the utmost limit. It is in this direction that peace will be found. Of all the war factors that need to be disarmed, the most powerful, and the most subtle, and the most deadly is the profit factor. If the commercial motive is cut out of war and defense, the greatest peace insurance on earth will have been established.

PROFIT PLAN BALKED

"Three years ago I was one of four Senators who sat on the official War Policies Commission, designed to equalize the burdens of war and take the profit out of war. We made great progress. Among other recommendations we set up a machinery for a profits tax in time of war which would take 95 percent of excess earnings from the time war was declared. But we never were able to legislate. The Treasury told us we must wait until we actually were at war before we could expect to write any such legislation. But that robs the movement of all its preventive ability.

"This time we intend to get results. Not only do we seek to limit war profits and equalize its burdens, but we intend to probe the whole field of propaganda which it is charged enters into competitive armaments and actually into the fomenting of war itself. Still more, we intend to study the fundamental question whether the manufacture of all armaments and munitions should or should not be a Government monopoly.

"In my view, this is the ultimate necessity. It cost $25,000 to kill a man in the World War, according to authentic figures. That is an utterly gruesome contemplation. It is horrible to contemplate death in any such terms; yet, so long as war is discussed in this sort of fiscal arithmetic, it is obvious that the commercial motive is a dangerous menace to all our peace aspirations."

The resolution as reported from committee provides $50,000 for expense of the investigation. It is the plan of Senators VANDENBERG and NYE first to employ a corps of expert investigators to examine books and records of munition-making concerns, together with the records of imports and exports, and data of the State and Commerce Departments bearing on the subject.

When witnesses are called, it is expected the committee will be armed with information which will make their testimony worth while. This is the technique of Senate investigations conducted recently, and it has proved vastly more effective than the "fishing expeditions" which congressional committees in the past were wont to conduct.

EXHIBIT 2

THE MUNITIONS ROOM

Without noise two Senate committees have been placing dynamite that may blow the lid off the munitions racket. First the Military Affairs Committee and now the Committee on Audit and Control have reported out the Nye-Vandenberg resolution for such an investigation.

Ever since the League of Nations Commission reported that the international armament ring was fomenting war, and the three chief American naval shipbuilding companies were caught wrecking the Geneva Disarmament Conference with their secret-paid agent Shearer, there has been need for a thorough inquiry in this country.

Recent reports of profiteering and alleged corruption in several industries seeking Army, Navy, and aircraft contracts under the vast new governmental expenditures have increased the incentive for an investigation.

Henry Ford declares that "the people in general don't want war, but it has been forced on them by scheming munition makers looking for enormous profits through the sale of arms."

That doubtless is an oversimplification of the cause of war, but the fact that the munitions racket is one of several major war forces is universally recognized by the experts.

Last week Sir Robert Hadfield, in congratulating English stockholders on the bountiful prospects for the armament business, said: "Happily a favorable turn of events has followed, with much more hopeful results. We are, indeed, devoutly thankful for present mercies, but may I add that for what I hope we are about to receive may the Lord make us truly thankful."

With less irreverence Americans may be thankful for the revelations concerning the munitions boom which, we hope, we are about to receive.

ROBBING THE PEOPLE OF LOUISIANA OF THEIR HOME-LOAN FUNDS

Mr. LONG. Mr. President, on the 9th day of April 1934 I had occasion to submit to the Senate some statistics relative to the operation of the home-loan bank in Louisiana. I submitted some figures which I wish to supplement and to republish for the illumination of the Senate.

Down in Louisiana, as I presented on the floor of the Senate a few days ago, a home-loan bank was opened up, and we found that it had been variously alined, as I disclosed to the Senate.

I said that they took the chief examiner out of one office which was dominated by a certain Sullivan by name; that they took the chief appraiser out of an office dominated by the same gentleman, and that they took many of the other employees in it, and finally we found that a very peculiar condition had arisen there.

I hold in my hand a statement showing a few of the loans we found had been made by a building and loan company controlled by the same man Sullivan, who has wrought havoc in these other matters. Here I have a statement of two loans of the building and loan company. The Senator from Tennessee [Mr. MCKELLAR] was very much interested in this the other day.

I have a statement showing the loans of the Hibernia Homestead Association, run by Sullivan, made with the Home Owners' Loan Corporation. It shows that on the 29th day of March 1934 the home-loan bank put out $1,989.35 of its bonds, and they brought on the market $1,971. They were exchanged for home building and loan stock of the Hibernia Homestead Association, which cost only $800. The home owner got $800, the Government put out $1,971, and they took $1,171 of the amount to pay off to the racketeers.

Then there was a lady, perhaps she is a widow, by the name of Mrs. L. J. Kline, a distressed home owner, and on the 23d day of last month Mrs. Kline went to that building and loan organization in New Orleans in order to take up a loan amounting to $2,712.85. The Home Owners' Loan Corporation issued bonds of the exact amount—$2,712.85. They sold that on the market for $2,661. And how much did the home owner get? Why, Mr. President, they bought up the stock of the building and loan company for $1,120 on the market, that is at $40 a share, and they gave the profiteer $1,541—$300 more than the home owner.

In other words, Mr. President, we found these faults so rampant that we concluded that since they were going at such a rate, we should make a little examination into the man Sullivan who was the man behind the gun; and while they had allowed us to examine until we discovered out of the first 67 examinations 65 cases of downright fraud and rottenness to the core, the next thing, when we undertook to examine the Hibernia Homestead, which was run by Mr. Sullivan himself, the man who had put Mr. Leon Verges as the chief appraiser of the Home Owners' Loan Corporation, the man who had taken another employee from the race

track and made him the contact man, who took a lawyer out of his office and made him the title examiner, who took a nephew of his partner in this business and made him the chief counsel, who took the man who was the president of the board of governors of the race track and made him the assistant manager, who took one of his political stool pigeons whom he tried to make the city attorney, but he could not make him city attorney, and made him the manager of the home loan—when we had developed 65 cases of rampant fraud, swindle, and rottenness in those funds, we went into Mr. John P. Sullivan's own Homestead, thinking at first that he would have taken the precaution not to have been so flagrant in his own transactions; but lo and behold, when we got there, the home loan in Louisiana lifted up the banner—they put up the shield—and announced that they would not allow the State bank examiner's department to examine into the matter that affected John P. Sullivan's Hibernia Homestead.

Mr. FESS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Ohio?

Mr. LONG. I yield.

Mr. FESS. I ask unanimous consent to have inserted in the RECORD after the remarks of the Senator from Louisiana shall have been concluded an article appearing in the Baltimore Sun of this date headed "The Home Loan Incident", by Frank R. Kent.

Mr. McKELLAR. I did not hear the Senator. What did the Senator from Ohio request?

Mr. FESS. The request was to insert the article "The Home Loan Incident", by Frank R. Kent, appearing in the Baltimore Sun of this morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The article appears at the conclusion of Mr. LONG's remarks.)

Mr. LONG. Mr. President, I desire to show the Senate that there is no dispute of the facts I have just mentioned. They have been admitted to be correct. Yesterday they were admitted to be 100-percent true. That which I now send to the desk was admitted to be 100-percent true under oath. It was testified to by the banking department and it was accepted, was not denied by Mr. Habans himself on the witness stand. I send four tables to the desk and ask that they may be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibits 1, 2, 3, and 4.)

Mr. LONG. Then, Mr. President, the next thing we did was to get the banking department, when they held up the shield and said they would not allow Sullivan's own company to be examined, a company wherein we thought he would have had enough caution to have been a little discreet; but lo and behold, when they would not let the man from the State go in there to get the figures, we knew that there was something rotten in Denmark, so we managed to go to the mortgage records and get five cases, and we have the details on all five of them. Two of them we have reverified. I want the Senate to listen to a telegram concerning this one outfit, which I will read:

NEW ORLEANS, LA., *April 11, 1934.*

Hon. J. S. BROCK,
State Bank Commissioner of Louisiana,
c/o Hon. Huey P. Long, United States Senator:

P. L. Miller owed Hibernia Homestead Association $1,989.35, through transfers and retransfers, all dated March 29, 1934. Association accepted $2,000 par value its shares, in full settlement. H.O.L.C. made available in bonds total amount due association. Homestead shares surrendered worth on market $800; H.O.L.C. bonds worth $1,971; profit in transaction to A. L. Siezler—

That is the man whose name they put up——

$1,171. Eliminate profit to Siezler and shareholder forced to sell his shares could have received $98 for each hundred instead of $40 per hundred paid to him. Mrs. L. J. Kline owed $2,712.85 to Hibernia Homestead through transfers and retransfers, all dated March 23, 1934. Homestead, received $2,800 par value its shares in full settlement. H.O.L.C. made available in bonds full amount due association. Homestead shares worth on market $1,120; H.O.L.C. bonds worth $2,661; profit in transaction to John Henry Brown—

A man we have not been able to find. We have not been able to find a man named John Henry Brown, but we guess there is such a man as that. It is a very common-sounding name—

fifteen hundred forty-one dollars. There are other transactions by this Homestead of a similar nature. Item asks for release of these transactions. Await your instructions.

W. E. WOOD, Assistant Supervisor.

Mr. President, we in Louisiana are not going to get more than 40 cents on the dollar of our money. They have set aside for us our quota down there for the purpose of relieving the home owners, but they have resorted to the rotten, swindling scheme of letting this racketeer put his chief appraiser in there to appraise the property; they have let him put the lawyer in there to examine the title; they have let him put the lawyer in there to make the abstracts; they have let him put his race-track henchman in there as the manager; they have let him put his stoolpigeon in there as manager; they have let him put his man from the race track and made him the contact man; and with that rigged up, Mr. President, he goes in there with his own building and loan concern, this racketeer—and it is complimenting him when I call him a racketeer—he goes in there with his own outfit and takes $800 worth of his own stock that is selling on the market for less than $800, and gets $1,971 worth of Government bonds, puts $1,191 down in his own pocket, and gives the poor little home owner $800 of the Government's money.

That is what we have to stand for in this land of the free and home of the brave. It is admitted; it is confessed. They know all about it. We are faced with such facts as I have stated, Mr. President. That is what we are standing for.

I am sending as a supplement to the tables I have already offered another statement, which I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 5.)

Mr. LONG. Mr. President, I am not through yet. I wanted to find out if this thing was being authorized. So I summoned as a witness on yesterday Mr. John H. Fahey, who is the Home Owners' Loan manager in Washington, D.C. I presented to him, not the last exhibit that I sent to the desk today, because up until that time we had been unable to get the facts out of the Hibernia Homestead, but I presented to Mr. John H. Fahey the other exhibit which I previously sent to the desk, containing 65 loans, 47 of which went to the profit of Stanley W. Ray. So I summoned Mr. Fahey, who is the head of the Home Owners' Loan Corporation in Washington, and I presented to him these exhibits, and I asked Mr. Fahey to give his opinion of the matter after those exhibits had been explained to him, which are not now denied and which will not be denied. What did Mr. Fahey say? Eliminating the part of his answer that is not material, Mr. Fahey said:

I would not hesitate to say this, Senator, that if our office in New Orleans accepted from a speculator wholesale operations of this sort without taking it up in advance with this board and finding out what the facts were behind it, he had no business to do it.

Senator LONG. And if he had taken it up with your board, you would not have stood for it, would you?

Mr. FAHEY. I express only my own opinion. I certainly would do everything in my power to prevent it.

Senator LONG. You expressed an opinion to me this morning when I asked you about it that was more emphatic, did you not?

Mr. FAHEY. You can make it as emphatic as you please. I do not believe in that kind of transaction.

I am quoting from volume no. 7, page 653, of the hearing held before the Senate Finance Committee, dated the 11th day of April 1934.

Mr. President, on the floor of the Senate the other day the Senator from Michigan [Mr. COUZENS] propounded an inquiry, and suggested that if what I had said here could

be proved, there would be developed a startling state of facts. He wanted to know if it was possible to prove certain things about this character whom I have described, who is in control of the Home Loan Office, whose manipulations and fleecing of the Government and distressed home owners I have already shown by written evidence that is admitted, and who is denounced by Mr. Fahey. The Senator from Michigan wanted to know if it could be possible that the same man had placed three of his employees in the internal-revenue office and that some of those employees were also employed in his office, working there part of the day after they had worked in the internal-revenue office.

Well, what happened? Lo and behold, when we had tied the rope of evidence around them so closely that they could not escape from it, they took the stand themselves and admitted that he had put not two ladies in, as I had stated, but three, one of them being his private secretary. He testified and she testified that she works part of the time in the internal-revenue office, and keeps the books of this gentleman in the afternoon and is paid by him for the job that she is doing there. Another one whom we traced going into the internal-revenue office until 4 o'clock and then coming back to his office, admitted that she went back into his office 2 or 3 or perhaps 4 times a week and did her private work there, took care of her private chores there, writing her personal letters on the typewriter and doing other work. Another one we proved had made application for a position and had stated in the application, "Resigned to accept this position"; and we proved that it had been agreed by the coterie headed by Sullivan that she was to be given the job even before she left his own office. We proved that another one by the name of George P. Hayman had been put into the internal-revenue office from the race track, the gambling institution which this gentleman owns and controls or now claims to have had mortgaged to him.

Hayman went into the internal-revenue office to work up a case against a man by the name of Gay, and when he could not do that he was transferred to the office of the Home Loan Corporation from the internal-revenue office, into which he had been put from the race track. Thus it has been proven that four of them, not three of them, had gone out of Sullivan's office and the race track into the internal revenue collector's office, proving by the testimony of two of them themselves that they went back to Sullivan's office and did work, and by one of them that she was still paid for doing work in the office there which she had left. Yet we are held up to denunciation; and in that State, with its people needing help, with our home-loan funds trafficked with in such a manner that the Hibernia Homestead, operated by this same character, takes $1,194 out of $2,000, or thereabouts, which the Government puts up, we are held to that kind of a condition, notwithstanding the statement in writing that I have here from Mr. Fahey that he does not approve of that kind of thing and he wants to do all in his power to prevent it.

Who keeps these men in there? Who is it that is responsible for the situation? With the head of the Home Loan Corporation of the United States denouncing what is going on, who is it that is keeping them there? Who is it that is keeping them there today? Why is it that they cannot be gotten rid of?

Why is it that they are taking 60 cents out of every dollar of the Government's money that is supposed to go to the distressed and destitute home owner, money that has been put up by the Government and that is supposed to take care of the poor man who is in distress to keep his home? If a man will steal 60 cents out of every dollar of this kind of money, he is a great deal worse than the man who will go into a grave and take a nickel off a dead man's eye. I would rather have a grave robber, 10 to 1, than to have to stand in Louisiana today for this kind of men who are taking 60 cents out of every dollar and robbing the home owner and robbing the United States Government of it.

Mr. Fahey says that this is a most outrageous thing, that he disapproves of it, that he would not have it at all, and yet when we get to the Hibernia Homestead, owned by this character, Sullivan, from whose concern is appointed the chief examiner, from whose office is appointed the abstractor, whose partner's nephew was made the attorney, from whose race-track associates is appointed the chairman of the board of directors of his race track in one position, who appointed his stool-pigeon candidate for city attorney in another position, who installed a man from the race track as contact man with the public, we find that he goes to his own Hibernia Homestead corporation with a widow's application for a $2,600 loan, of which she gets $1,100 and $1,500 goes to the profit of the racketeer, putting that deal through the Hibernia Homestead, which was in it. We traced it right in his teeth this time.

So it happens that we find that of the $2,000 of stock they put in there and that was selling on the market for $800 on that day, 17 of the 20 shares were owned by the secretary of his Homestead; so that seventeen twentieths of the amount of money made—$1,100 out of $1,700—actually was in the hands of the secretary of his Homestead.

Mr. President, those are the conditions we are having to put up with; that is what we are having to put up with in my State; that it what he have to stand for. It is denounced on the one hand, and yet we have got a white cloth up in front of the Home Loan Corporation to keep us from finding out anything else about Sullivan's transactions. They have put up the sheet. Out of the first 67 cases advanced we found downright stealing and crookedness, according to the estimate of Mr. Fahey, which I have here—in 65 out of the 67. Then, we went to investigate the Hibernia Homestead, Sullivan's own concern, of which his brother-in-law is president and which he testified he controls; but when we attempted to find fraud there, lo and behold, it was discovered that they had some kind of a special ruling that prevented the State banking department of the State of Louisiana from finding out any further facts. No; they must find out no more facts. When we came to the place where we had reached the pivotal point as to the gentleman there who had operated the gambling race track, whose business partner and brother was one of the directors employed in the wire service that went into every gambling house in the city, whose chief of police went on the witness stand and testified that he closed down the handbooks when Sullivan's track was operating, in order that the gambling houses would have to send their clients into the race track to do their betting, the shield of silk was stretched in front, and there has been forbidden any more disclosures about him.

"Touch not mine anointed, and do my prophets no harm." We are not to see further into the matter. We had been told that we were going to be allowed to go and find out the balance; but I do not know whether we would be or not.

Mr. President, once I was denounced on the score of this man because I permitted him in my organization. The letter which I hold in my hand was printed throughout the South. It was extolled as true by the newspapers of that State, including nearly all of them who were opposed to me at the time; particularly the sole remaining newspaper syndicates gave it both their column and their editorial approval. I had to stand it at the time. I think Senators will want to hear it, and I am going to send it to the desk and ask the clerk to read it as audibly as he possibly can and not too fast.

The PRESIDING OFFICER. Without objection, the clerk will read, as requested.

The legislative clerk read as follows:

[State organization headquarters for HUEY P. LONG. Harvey E. Ellis, State campaign manager; phones 103, 203, 303]

(Strictly personal and confidential)

COVINGTON, LA., *April 20, 1927.*

HON. HUEY P. LONG,
Shreveport, La.

MY DEAR HUEY: Maloney recently jockeyed Sullivan into a pocket and Sullivan was forced to support you on your own terms. He had no other place to go. I tried to make this plain to you. You know my opinion of Sullivan. He stands for three things: Racing, gambling, and whisky. Were I opposing you, Sullivan would be the issue that you would have to meet, and I would win.

I do not know what, if any, commitments you have made for Sullivan's support; but unless you had a clear, definite understanding with him that he was to stay in the background and not take a prominent part in the campaign, and that you were to be free, if conditions arose, to make such declarations and commitments as you saw fit in regard to the racing and gambling evil in New Orleans, you have, in my opinion, placed yourself at a very serious disadvantage, regardless of the support that Sullivan may bring, and at best it is going to be difficult to make the general public believe that you have not made commitments satisfactory to Sullivan to protect racing and gambling in New Orleans.

Dog and horse racing and gambling will be one, if not the principal issue in the coming gubernatorial campaign, and you are going to be forced to make public your position on this issue, and if Sullivan has been permitted to take a leading part in directing your city organization and you do not make a declaration that is satisfactory to Sullivan and the interests he represents, Sullivan will, at an inopportune time, bolt and disorganize your organization. If you yield to Sullivan as a matter of expediency, you will lose the respect and confidence of the people of this State, which are worth more than a thousand governorships. Your hands will be tied, and, even if you are elected Governor, your administration will be embarrassed and you will be unable to give this State a clean, progressive, fearless, honest administration, which is the reward that I hope to claim for my work in your behalf.

I have made many pledges and promises to people who were disinclined to support you, as to what your position would be on all great moral public questions, and these people will hold me responsible for your actions in the event that you are elected Governor.

I understood and I thought that I had made it clear that I would be consulted before you even agreed to accept Sullivan's support, in order that I could protect you and keep your hands free, which I could and would have done.

Now, I am unwilling to go any further until I hear from you fully and definitely as to what commitments, if any, you have made to Sullivan, what understanding, if any, you have, either expressed or implied, and how you intend to meet the dog, horse-race, and gambling issues in the State of Louisiana, and particularly in the city of New Orleans.

Very sincerely yours,

HARVEY E. ELLIS.

Mr. LONG. Mr. President, I send to the desk my reply to that letter, under date of April 21, 1907. I shall not take the time to have it read, but I wish it to be inserted in the RECORD at the conclusion of my remarks. The body of the reply will show, as published coincidentally with the letter just read, that whenever the minute arrived that the gambling institutions of that city and of that State under Sullivan undertook to take control of Louisiana and to operate in violation of the law, he would no longer be allowed to have anything to do with the politics of the administration of which I was the head. The record that has been disclosed shows whether or not that promise was kept.

I send these letters to the desk because, with other documents previously submitted, they will disclose that every remark that has been made on the floor of the Senate by me has not only been proved but has been admitted, not by their undertaking to have generalities to obscure it but by cold letters and documents and by the cold fact that one has to admit his business, the kind of business he is in, the kind of contrivances he is running, and exactly what is being done there, all shown to be in strict accordance with the representations and statements I have made here on the floor of the Senate.

The PRESIDING OFFICER. Without objection, the letter referred to by the Senator from Louisiana will be printed in the RECORD.

The letter is as follows:

SHREVEPORT, LA., *April 21, 1927.*

(Strictly personal and confidential)

Hon. HARVEY E. ELLIS,
Covington, La.

MY DEAR HARVEY: I have your letter of April 20, in which you speak of Maloney, Sullivan, dog races, horse races, whisky, etc. I have not secured the support of either Maloney or Sullivan at this time, although I once had the promise of Maloney, which apparently is not recollected by him. I have made no one any promises and will not make any, either expressed, implied, or otherwise. Further than this, my position on the questions of gambling, whisky, and others have been established so long and so openly repeated, that it would be useless for me to enumerate them now. I have expressed them to you most thoroughly and they met with your accord.

It is true that in my consistent antiring position that I have worked under the same campaigns against the old-established New Orleans ring, with all parties opposing them, regardless of what may have been their convictions and opinions on other questions. Sullivan has frequently been in this antiring line-up, and all of us have fought under the same banner when he was. For instance, 95 percent of the ministers and bishops of this State, Sullivan, and myself (as well as yourself) fought with him, leading the city fight in 1920. Four years before that time I supported Thomas C. Barrett and the prohibition ticket, you recall, when Sullivan, Maloney, Sanders, Behrman, Carbajal, and yourself supported the other side. While Paul Maloney was usually with the old organization for the part of the time I was fighting them, when he has been away from them and under the banner under which I have always fought, naturally I have been with him, too. The chances are if he stays away from them he will stay with me, or if he goes back to them he will be against me. Also, the chances are, I should imagine, that if Sullivan should make a fight against conditions that exist under the ring rule that he would naturally have to come to me, but that if he decided to fight for them that he would have to be against me.

I never saw or bet on a horse race in my lifetime. I never saw or bet on a dog race in my lifetime. Since I was a 12-year-old youth, my stand on prohibition has been a stand of open public record.

All parties who ever supported me must know of my consistent public position; never has a promise or assurance which I made to the public been violated in my entire career; no one can misunderstand me. Anyone supporting me knows by a record just whom it is he supports and for what he stands. They further know that there has been no vane or weather marks to record changes in my attitude or in the persons with whom I am affiliated or whose support I accept. All come on terms of HUEY LONG which, in this State, with pardonable pride, I must say, rather represents the highest order of principle and service, rather than the title of many particular designated persons.

Since the year 1908, when as a 15-year-old boy, I took my stand and handled a ward against the ring ticket being run in this State, I have the honor to say that I have varied not a jot nor tittle, neither back nor forth. Many there are who have, however, but I have never joined the side when I thought committed to the rule of a people's subjugation, or pronounced myself that way, and naturally had to fight under the banner which I have never left.

Yours sincerely,

HUEY P. LONG.

EXHIBIT 1.—*Liberty Homestead Association, transactions with Home Owners' Loan Corporation handled through Stanley W. Ray*

Date of sale	Name of borrower	Total amount due	Cash received	Stock received	Home Owners' Loan Corporation bonds and cash received	Market quotation stocks	Market quotation Home Owners' Loan Corporation bonds	Profit to Ray
Nov. 18, 1933	Salazar, Mrs. M. D	$8,266.95		$7,600	$4,265.00	39½	82¾	$527.29
Dec. 7, 1933	St. Amant, Claude	2,000.00		2,400	1,347.90	42¾	83½	98.75
Dec. 18, 1933	Albeanese, J. D	3,300.00		3,300	1,912.75	39	84	319.08
Dec. 23, 1933	Wolfe, Walter J	1,701.88		2,600	1,492.47	50	83¾	[1] 51.45
Dec. 14, 1933	Davis, Ida G	7,195.43	$1,500.00	8,000	6,341.09	38⅞	84⅜	769.85
Dec. 9, 1933	Meunier, Jules	6,368.27		7,900	4,419.03	42¾	84	354.71
Dec. 23, 1933	ExKano, Paul	1,010.24		1,800	1,000.00	50	83¾	[1] 62.50
Jan. 9, 1934	Cook, Mrs. Walter	9,080.49	2,284.54	10,000	7,889.09	39	92½	1,112.79
Jan. 12, 1934	Acosta, J. P	1,112.19	344.00	1,500	1,158.19	38	92	151.36
Jan. 15, 1934	Landry, E. J	2,066.10	919.88	2,000	2,141.04	37½	92	49.84
Jan. 20, 1934	Cooper, Thos. B	3,992.83	1,521.00	3,000	3,308.24	39½	92¼	345.63
Feb. 1, 1934	Valenti, Mrs. C	5,697.76	1,182.00	5,000	3,813.00	39	96	528.48
Jan. 27, 1934	Thomas, Mrs. M. S	4,868.75	1,100.00	4,000	3,234.26	40	95	372.30
Jan. 30, 1934	Walther, F. L	7,099.46	475.00	6,500	3,787.08	39½	95	555.15
Feb. 6, 1934	Bianca, Mrs. Louis	3,927.40	250.00	4,000	2,233.86	40⅛	97⅞	330.54
Feb. 23, 1934	Weinmann, Mrs. J. M	3,457.72	1,250.04	2,200	2,388.93	40¼	95¼	139.03
Mar. 1, 1934	Waguespack, Mrs. F	4,991.64	1,685.76	3,500	3,623.07	40¼	94⅜	324.69
Mar. 2, 1934	Sheldon, Ernest	1,642.44		1,900	931.12	40¼	97¼	140.64
Mar. 9, 1934	Buffet, A. J	4,291.18	2,346.00	2,000	3,551.09	40¼	97⅛	297.90
Mar. 15, 1934	Brown, et al., Mrs. Paul	3,600.00		3,250	1,625.39	40¼	97¼	273.19
Mar. 23, 1934	Christophe, F. J	3,172.31	968.00	2,200	2,138.38	41	98⅛	227.51

[1] Loss.

EXHIBIT 1.—*Liberty Homestead Association, transactions with Home Owners' Loan Corporation handled through Stanley W. Ray*—Continued

Date of sale	Name of borrower	Total amount due	Cash received	Stock received	Home Owners' Loan Corporation bonds and cash received	Market quotation stocks	Market quotation Home Owners' Loan Corporation bonds	Profit to Ray
Mar. 23, 1934	Horanz, Rosine	$5,210.39	$3,300.00	$2,000	$4,549.20	41	98⅛	$343.70
Do	Lamarie, M. B	6,019.57	2,620.00	3,500	4,549.20	41	98⅛	408.70
Mar. 22, 1934	Mercier, Jos. E	1,423.36		2,000	997.77	41¾	98⅛	143.30
Do	Rasmussen, H. F. W	5,751.66	1,048.00	5,000	3,617.33	41	98⅛	451.18
Feb. 21, 1934	Catamia, S	3,500.00	1,618.33	2,000	2,840.59	40¾	96½	307.27
	Total	110,153.02	24,412.55	99,150	79,155.07			8,458.93

EXHIBIT 2.—*Transactions in the Acme Homestead Association, New Orleans, La., sales for stock manipulated through the Home Owners' Loan Corporation*

Date of sale	Name of purchaser	Book value	Cash received	Stock received	Commissions paid	Bond quotations	Attorney's fees	Estimated profit	Estimated bond proceeds	Other expenses	Bonds issued	Name of original owner
Dec. 18, 1933	Briant, H. A. (P.J.L.)	$6,443.31		$7,100	$284.00	84	$384	$1,058.49	$4,040.49	$500	$4,810.11	H. A. Briant.
Jan. 27, 1934	Prieto, Virginia M. (P.J.L.)	3,402.53	$500.00	3,500	160.00	95		450.09	2,420.09		2,558.52	George Huet.
Do	do	2,963.66	192.00	4,500	187.68	95		841.81	2,923.81		3,077.70	Mr. and Mrs. A. Berthelot.
Feb. 23, 1934	do	1,615.67	102.40	2,000	84.10	95¼		621.66	1,564.03		1,642.03	Luke Francis.
Mar. 5, 1934	Thrift Realty Co., Inc. (Sigeler)	9,105.23	560.00	11,440		96¾		1,285.83	6,089.63		6,873.66	Mrs. H. K. Elmer.
Do	do	3,812.86	250.00	3,950	168.00	96¾		413.00	2,322.00		2,400.00	E. J. Colgas.
Do	Leaman, Mrs. Virginia P. (P.J.L.)	5,209.81	360.00	6,100	258.40	96¾		1,287.60	4,209.63		4,351.04	Mrs. Eva Beelman.
Mar. 7, 1934	do	6,365.25	900.00	6,200	355.00	96¾		1,247.93	4,809.93		4,971.51	Frank Di Georga.
Do	do	1,303.87	250.00	1,500	70.00	96¾		543.51	1,443.51		1,492.27	Jonas Wormser.
Mar. 23, 1934	Dumaine Realty Co. (Moyor)	6,229.79		6,600	264.00	98⅛		593.70	3,355.70		3,429.61	A. A. Antoine.
Do	Dumaine Realty Co. (Eiseman)	6,171.78	300.00	6,700	280.00	98⅛		466.16	3,580.16		3,648.58	Clarence L. Smith.
	Total							8,809.78				

Amount of bonds issued obtained from Home Owners' Loan Corporation.
Stock quotations actual.
All transactions calculated on basis of stock valued at 42.

EXHIBIT 3.—*Transactions handled by Meyer Eiseman for Union Homestead Association, New Orleans, La.*

Date	Name of borrower	Total due	Cash received	Stock received	Bonds approved	Stock quotations	Bond quotations	Brokers' estimated profit	
Dec. 27, 1933	Bulltman, O. C	$2,271.78	$700.00	$1,600	$1,940.00	48	84	$161.68	
Jan. 16, 1934	Gomez, Mrs. A. P	1,942.49		2,000	1,500.28	48	92	420.00	
Dec. 12, 1933	Jones, J. O	20,484.59		20,500	10,947.83	48	84	870.00	$12,750
Jan. 12, 1934	Fenassci, E. J	1,675.41		1,750	1,102.80	48	92	321.00	1,262
Feb. 1, 1934	Dieck, H. T	3,993.37	300.00	3,650	1,900.00	48	96	371.04	2,524
Feb. 17, 1934	Eiserloh, N. W	3,093.24	800.00	2,500	2,427.74	48	95¼	499.00	2,624
Mar. 21, 1934	Brown, Y. E	7,309.07	553.41	7,000	4,690.91	51	98⅛	478.63	
Mar. 27, 1934	Braquet, T. V	1,931.35	447.90	1,700	1,560.24	51	98	213.90	

EXHIBIT 4.—*Eureka Homestead Society, New Orleans, La., loans negotiated through Home Owners' Loan Corporation by Stanley W. Ray*

Name	Apparent profit figured from bid prices	Date sold by association	Book value	Payment in cash	Payment in stock of association	Home Owners' Loan Corporation net amount of par value bonds issued after deductions	Bonds		Stock		Home Owners' Loan Corporation folio no.
							Bid	Offered	Bid	Offered	
Peter Yuratich	$133.96	Mar. 21, 1934	$5,299.90		$5,299.90	$3,265.04	98¼	98⅝	58		A-502
Frank Sullivan	1,449.38	Feb. 28, 1934	10,012.27	$4,500.00	5,512.27	9,504.49	94¾	95¼	57¼		A-321
H. C. Bocage	954.14	Mar. 2, 1934	2,699.15		2,699.15	2,570.08	97¼	98	57¼		A-330
Mrs. Katherine K. Oertling	357.20	Feb. 23, 1934	7,690.60	6,000.00	1,690.60	7,690.60	95¼	95¾	57¼		A-279
Mrs. Laura Mersch	1,639.89	Dec. 26, 1933	5,333.29		5,333.29	5,333.29	83¾	84½	53		A-80
Mrs. C. Eustes	2,053.66	Jan. 16, 1934	17,663.85		17,663.85	13,019.44	91¾	92½	56	60	A-144
J. R. Nagle	687.98	Dec. 20, 1933	2,619.93		2,619.93	2,604.28	84	84½	57¼		A-61
Mrs. T. Puneky	1,077.18	Jan. 15, 1934	4,823.96		4,823.96	4,106.53	92	92¾	56	60	A-138
L. T. Schrer	1,005.61	Mar. 7, 1934	4,798.05	800.00	3,998.05	4,232.36	96¾	97¼	57¼		A-375
Mrs. L. McDonald	826.52	Jan. 15, 1934	2,530.84		2,530.84	2,471.88	92	92¾	56	60	A-114
Uncas Tureaud	452.25	Dec. 28, 1933	1,675.39		1,675.39	1,675.39	84	84½	57	58½	A-84
Mrs. Myrtle Schwartz	1,654.58	Nov. 15, 1933	16,500.00		16,500.00	13,126.52	83	84	56		A-8
B. S. Boree	263.93	Dec. 29, 1933	5,000.00		5,000.00	3,702.64	84¼	84¾	57		A-48
Charles Goulon	320.11	Jan. 6, 1934	4,052.09		4,052.09	2,872.23	90½	92¼	56	59	A-112
Mrs. Athene Harvey	1,191.97	do	4,908.41		4,908.41	4,709.72	90½	92½	56		A-115
Frank Albert	382.76	do	1,259.11		1,259.11	1,208.35	90½	92½	56		A-116
Felix Simms	574.52	Jan. 4, 1934	2,768.45		2,768.45	2,403.23	86¾	87½	56		A-107
Joseph Brown	861.08	Feb. 27, 1934	2,281.43		2,281.43	2,281.43	95	95½	57¼	60	A-291
Jean and A. Perret	721.19	Jan. 6, 1934	2,156.33		2,156.33	2,131.59	90½	92½	56	59	A-118
George C. Muhs	1,160.65	Mar. 15, 1934	3,979.81	700.00	3,279.81	3,852.94	97¼	97⅝	57½		A-434
Total	17,768.56		108,052.86	12,000.00	96,052.86	92,762.03					

EXHIBIT 5.—*Transactions of the Hibernia Homestead Association with the Home Owners Loan Corporation, New Orleans, La.*

Date	Name of mortgagor	Amount due	Bonds approved	Stock received	Cash value of stock	Cash value of bonds	Profit to broker	Name of brokers
Mar. 29, 1934	P. L. Miller	$1,989.35	$1,989.35	$2,000	$800	$1,071	$1,171	A. L. Sizzler.
Mar. 23, 1934	Mrs. L. J. Kline	2,712.85	2,712.85	2,800	1,120	2,661	1,541	John Henry Brown.

The article requested by Mr. FESS to be printed in the RECORD is as follows:

[From the Baltimore (Md.) Sun, Apr. 12, 1934]

THE HOME LOAN INCIDENT

By Frank R. Kent

WASHINGTON, April 11.—No clearer case of devotion to the spoils system has ever been given than that of House Democrats in the vote yesterday on the amended Home Owners' Loan Corporation bill. It was not only a degrading act but a stupid one. It ought to arouse public resentment. It exhibits the House leaders, who prate about patriotism and public spirit, as wholly hollow and insincere.

The facts are these: Senator NORRIS, of Nebraska, had inserted an amendment which provided that "no partisan political test shall be permitted, but all agents and employees shall be appointed or promoted solely on the basis of merit and efficiency." It is hard to see how any man who believes in decent government, or wants the administration to succeed, could oppose that. One great weakness of the H.O.L.C. is that it is so largely manned by politicians. In many States it is entirely in their hands, and in some, notably Illinois, this has led to festering abuses.

The Board endorsed the Norris amendment. The President endorsed it and the Senate passed it. Mr. Roosevelt went further, and personally communicated with Chairman STEAGALL, of the House Banking Committee, expressing hope the House would concur. There seemed no ground upon which it could be decently opposed. Yet the House committee deliberately dropped the Norris amendment, and reported the bill without it. Under the rule by which it was considered last Wednesday no amendment not proposed by the committee could be offered on the floor. There was no chance to vote on the Norris proposal. This did not, however, prevent discussion, and a stirring speech pointing out the devastating effects of the committee's action was made by Representative JOHN HOLLISTER, of Ohio, who believed the whole purpose of the plan can be defeated by the mire of politics in which it is steeped. At that time there was no way to put the House on record and the bill was almost unanimously passed as it came from the committee.

But a way was found yesterday when a motion was offered directing the House conferees to restore the Norris amendment. On this a roll call was taken. It was defeated by 230 to 116. All the negative votes were Democrats. Thus, the Democratic House proclaimed itself unwilling to curb its appetite for pie even at the risk of crippling an important administration policy, even when proposed by friends of the administration, even when adopted by the Democratic Senate, even when requested by the Democratic President. A more indefensible act has not been committed in Congress for a long time.

The primary purpose of the bill was to give Federal guaranty to the principal as well as interest of the home loan bonds, which the corporation exchanges for distressed mortgages. There was, however, an amendment put in that still further shocks those who believe most of the mortgages taken over will be a complete loss. This amendment sets aside $200,000,000, which the corporation is authorized to loan in cash for maintenance, repair, rebuilding, and modernization. This, it is claimed, ridiculously enlarges the scope of the scheme. It means that after the Government has taken over a mortgage upon which neither principal, interest, nor taxes can be paid, it will then lend to the mortgagee money to repair and maintain his home. Under this, it is held, a man cannot only unload his mortgage on the Government but borrow cash to paint his porch or put in a new kitchen sink. All the Government asks for this additional cash is another lien on the property.

It is a new idea that got by without discussion. The contention is that this extension of H.O.L.C. authority can ultimately have but two results. Either the Government, forced to foreclose, will find itself the owner of literally innumerable modernized and repaired houses, with which it will not know what to do; or Congress will wipe out all the obligations, leaving the home owner with his house free of mortgage, repaired and modernized at Government expense. Most incline to the latter view. They see another organized minority in the making, which will be able to put pressure on Congressmen to be relieved from paying the Government, just as the veterans do to have their pay restored.

INTERNAL-REVENUE TAXATION

The Senate resumed the consideration of the bill (H.R. 7835) to provide revenue, equalize taxation, and for other purposes.

Mr. KING. Mr. President, as I came into the Chamber I was advised that an amendment proposed to the pending bill by the Senator from North Dakota [Mr. NYE] was under consideration. I am in sympathy with the general purpose of the amendment but it occurs to me that in the consideration of a revenue bill, limited in its scope and in its duration, it is not a proper vehicle to carry the important amendment offered by the Senator. My recollection is that several weeks ago a resolution was offered by a number of Senators, including the Senator from North Dakota, which called for an investigation of the manufacture, sale, and distribution of munitions and implements of war. The resolution, as I recall, was comprehensive and went far beyond what I have just indicated. Under that resolution a study would be made of questions relating to war, and as ancillary to the same, a study of what legislation should be enacted for the purpose of raising revenues to meet military expenditures.

The amendment offered by the Senator could, with propriety, be referred to this committee in order that it might consider what legislation should be enacted in the event of war looking to the conscription of property to meet the expenses of such conflict.

Several years ago I offered in the Senate a measure which, in effect, declared that in the event of war all property should be at the disposal of the Government in order to enable it to successfully prosecute such war. I think a number of other amendments, similar in character, have been offered since then.

I believe that the general sentiment in the United States is that in the event of war our resources shall be devoted to the cause of our country. The American people, upon many occasions, have demonstrated their devotion to our country, and their willingness to surrender property, as well as to give their lives, in the defense of this Republic. It has been my view that heavy as were the burdens of taxation imposed during the war, larger taxes should have been imposed upon those who derived enormous profits. Many corporations, as well as individuals, derived colossal profits from their enterprises by reason of the war. Even before the United States entered the war it is known that great fortunes were made by many corporations and individuals in the United States. They supplied the Allied, as well as the Central Powers, with commodities of various kinds, as well as war munitions, from which they derived stupendous profits, and after our country entered the war the profits which flowed into the coffers of various corporations, as well as individuals, were entirely too great. It has been claimed that several thousand millionaires were made during the war.

It is unfortunate that during periods of conflict such as that through which the world passed, corporations and individuals should be enriched and that hundreds of millions should be added to the wealth of those who furnished supplies and munitions made necessary by war activities.

If the world should again be called upon to pass through the tragedies and horrors of a great war, legislation should be enacted that would prevent profits from being reaped and war profiteers and millionaires being developed.

I repeat, Mr. President, that the amendment offered by the Senator expresses, I believe, the views of a great majority of the people, and I have no doubt that in the event of war, legislation would promptly be enacted that would deny to individuals or corporations opportunities for profit from the suffering and death of American boys. War is hateful and horrible and it must not return profits and fortunes to individuals and corporations.

I sincerely hope that the resolution to which I have referred and which was offered by a number of Senators several weeks ago will be passed and that the comprehensive investigation called for by the resolution will be made. As I have stated, the amendment now before us would logically and properly fall within the purview of such investigation.

Mr. HARRISON. Mr. President, I am very anxious, and I know other Senators are very anxious, to move ahead as rapidly as possible with the revenue bill now before us. I think we can make a good deal of headway tonight. I would make this suggestion. I do not know whether it will meet with the approval of other Senators, but I see no objection to this course. The Senator from Michigan [Mr. VANDENBERG] referred to a resolution now on the calendar providing for the appointment of a committee to investigate this question. I would suggest that that resolution be considered and adopted at this time and that the amendment of the Senator from North Dakota be referred to that committee when it shall be appointed.

Mr. VANDENBERG. Mr. President, that would be agreeable to me.

Mr. NYE. Mr. President, I know there are many Senators who would like to have a chance to vote upon the pending amendment, and yet I realize there are good reasons why there should be wider consideration given to the sort of legislation that is required. For my own individual part, I shall be quite willing to have that course taken.

Mr. HARRISON. I hope it may be taken.

Mr. NYE. Then I will move——

Mr. HARRISON. Mr. President, if the Senator will merely ask unanimous consent for immediate consideration of the resolution, I think that will accomplish the purpose.

MANUFACTURE AND SALE OF MUNITIONS OF WAR

Mr. NYE. Mr. President, I ask unanimous consent for the immediate consideration of Calendar No. 623, being Senate Resolution 206, providing for the appointment of a special committee to investigate the subject matter which we have had under discussion.

The PRESIDING OFFICER. Is there objection to the request of the Senator from North Dakota?

There being no objection, the Senate proceeded to consider the resolution (S.Res. 206) submitted by Mr. NYE and Mr. VANDENBERG on March 12, 1934, and reported from the Committee to Audit and Control the Contingent Expenses of the Senate with amendments, on page 2, line 2, to strike out "five" and insert "seven"; in line 5, after the word "individuals", to insert "firms, associations"; and in line 6, after the word "corporations", to insert "and all other agencies"; on page 3, line 11, after the word "committee", to insert "or any subcommittee thereof"; and in line 21, to strike out "$50,000" and insert "$15,000", so as to make the resolution read:

Whereas the influence of the commercial motive is an inevitable factor in considerations involving the maintenance of the national defense; and

Whereas the influence of the commercial motive is one of the inevitable factors often believed to stimulate and sustain wars; and

Whereas the Seventy-first Congress, by Public Resolution No. 98, approved June 27, 1930, responding to the long-standing demands of American war veterans speaking through the American Legion for legislation "to take the profit out of war", created a War Policies Commission, which reported recommendations on December 7, 1931, and on March 7, 1932, to decommercialize war and to equalize the burdens thereof; and

Whereas these recommendations never have been translated into the statutes: Therefore be it

Resolved, That a special committee of the Senate shall be appointed by the Vice President to consist of seven Senators, and that said committee be, and is hereby, authorized and directed—

(a) To investigate the activities of individuals, firms, associations, and of corporations and all other agencies in the United States engaged in the manufacture, sale, distribution, import, or export of arms, munitions, or other implements of war; the nature of the industrial and commercial organizations engaged in the manufacture of or traffic in arms, munitions, or other implements of war; the methods used in promoting or effecting the sale of arms, munitions, or other implements of war; the quantities of arms, munitions, or other implements of war imported into the United States and the countries of origin thereof, and the quantities exported from the United States and the countries of destination thereof; and

(b) To investigate and report upon the adequacy or inadequacy of existing legislation, and of the treaties to which the United States is a party, for the regulation and control of the manufacture of and traffic in arms, munitions, or other implements of war within the United States, and of the traffic therein between the United States and other countries; and

(c) To review the findings of the War Policies Commission and to recommend such specific legislation as may be deemed desirable to accomplish the purposes set forth in such findings and in the preamble to this resolution; and

(d) To inquire into the desirability of creating a Government monopoly in respect to the manufacture of armaments and munitions and other implements of war, and to submit recommendations thereon.

For the purposes of this resolution the committee or any subcommittee thereof is authorized to hold hearings, to sit and act at such times and places during the sessions and recesses of the Congress until the final report is submitted, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $15,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

The amendments were agreed to.

Mr. FESS. Mr. President, is the proposed investigation to be conducted by a Senate committee?

Mr. HARRISON. Yes. The resolution was reported favorably from the Committee on Military Affairs and then referred to the Committee to Audit and Control the Contingent Expenses of the Senate. The latter committee reported the resolution favorably with certain amendments, among which was one reducing the amount from $50,000 to $15,000.

Mr. FESS. The Committee to Audit and Control has already approved the resolution?

Mr. HARRISON. Yes; it has been reported favorably by that committee with certain amendments which have just been agreed to.

The PRESIDING OFFICER. The question is on agreeing to the resolution as amended.

The resolution as amended was agreed to.

The preamble was agreed to.

Mr. HARRISON. Mr. President, I now ask unanimous consent that the amendment submitted by the Senator from North Dakota [Mr. NYE] may be referred to the special committee provided for in the resolution just adopted when the committee shall be appointed.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed without amendment the bill (S. 606) to authorize the waiver or remission of certain coal-lease rentals, and for other purposes.

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 2032) for the relief of Richard A. Chavis, requested a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. HILL of Alabama, Mr. THOMPSON of Illinois, and Mr. CARTER of Wyoming were appointed managers on the part of the House at the conference.

The message further announced that the House insisted upon its amendments to the bill (S. 828) to authorize boxing in the District of Columbia, and for other purposes, disagreed to by the Senate; agreed to the conference requested by the Senate on the disagreeing votes of the two Houses thereon, and that Mrs. NORTON, Mr. PALMISANO, and Mr. WHITLEY were appointed managers on the part of the House at the conference.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 163. An act for the relief of Capt. Guy M. Kinman;

S. 3022. An act to amend sections 3 and 4 of an act of Congress entitled "An act for the protection and regulation of the fisheries of Alaska", approved June 26, 1906, as amended by act of Congress approved June 6, 1924, and for other purposes; and

S. 3209. An act limiting the operation of sections 109 and 113 of the Criminal Code and section 190 of the Revised Statutes of the United States with respect to counsel in the case of United States of America against Weirton Steel Co. and other cases.

INTERNAL-REVENUE TAXATION

The Senate resumed the consideration of the bill (H.R. 7835) to provide revenue, equalize taxation, and for other purposes.

Mr. HARRISON. Mr. President, I should like, if possible, to clear up one or two matters before we take up the next subject, which will lead to debate.

I send to the desk a clarifying amendment to the substitute offered by me, on behalf of the committee, for the surtax

amendment. The substitute was offered and adopted on April 4.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. In the second bracket, after the phrase "7 percent", there should be inserted "in addition."

The amendment was agreed to.

Mr. HARRISON. Mr. President, in view of the adoption of the so-called "Borah amendment" as to consolidated returns, it is necessary to make certain clerical changes at other places in the bill; and I ask unanimous consent that these changes may be made.

The PRESIDING OFFICER. The amendments will be stated.

The LEGISLATIVE CLERK. On page 155, it is proposed to strike out lines 10 to 13, both inclusive.

The amendment was agreed to.

The LEGISLATIVE CLERK. On page 158, it is proposed to strike out lines 10 to 13, both inclusive.

The amendment was agreed to.

On page 161 it is proposed to strike out lines 11 to 14, both inclusive.

The amendment was agreed to.

The LEGISLATIVE CLERK. On page 242, line 19, it is proposed to strike out "sections 131 and 141" and insert "section 131."

The amendment was agreed to.

The LEGISLATIVE CLERK. On page 76, it is proposed to strike out "this act or" in line 2, and again in line 5, and again in lines 10 and 11, and again in line 14.

The amendments were agreed to.

Mr. HARRISON. Mr. President, I ask that the order I send to the desk may be entered. It is the usual order following the consideration of each of these bills authorizing certain changes to be made.

The PRESIDING OFFICER. The order will be read.

The order was read and agreed to, as follows:

Ordered, That in the engrossing of the amendments of the Senate to the pending bill (H.R. 7835) the Secretary of the Senate be authorized:

(1) To make such changes in the table of contents as may be necessary to make such table conform to the action of the Senate in respect of the bill;

(2) To make such clerical changes as may be necessary to the proper numbering and lettering of the various portions of the bill, and to secure uniformity in the bill in respect of typography and indentation; and

(3) To amend or strike out cross-references that have become erroneous or superflous, and to insert cross-references made necessary by reason of changes made by the Senate.

Ordered further, That the said bill, when passed, be printed showing the Senate amendments numbered.

Mr. HARRISON. Mr. President, there are two committee amendments remaining that have not as yet been acted upon. One is with reference to "hot oil", under which informants are to be paid something. The committee struck out the House provision. I do not think they knew much about it, or made much investigation. I should like to have the Senate act on the matter. The committee recommended striking out the House provision.

Mr. LA FOLLETTE. Mr. President, is it the Senator's desire that this matter should go to conference, or otherwise?

Mr. HARRISON. I think it would be very well for it to go to conference. Only by striking out the House text can it go to conference.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 210 it is proposed to strike out lines 1 to 24, inclusive, and on page 211 it is proposed to strike out lines 1 to 8, inclusive, in the following words:

SEC. 514. Penalties and awards to informers with respect to illegally produced petroleum: (a) Any person liable for tax on any income from illegally produced petroleum, who willfully fails to make return showing such income within the time prescribed by law, or 30 days after the enactment of this act, whichever expires later, shall, in addition to all other penalties prescribed by law, be liable to a civil penalty of $500 plus $50 for each day during which such failure continues.

(b) Any person not an officer of the United States who furnishes to the Commissioner or any collector original information leading to the recovery from any other person of any penalty under this section may be awarded and paid by the Commissioner a compensation of one half the penalty so recovered, as determined by the Commissioner.

(c) As used in this section, the term "income from illegally produced petroleum" means any income (not shown on a return made within the time prescribed by law, or 30 days after the enactment of this act, whichever expires later) arising out of any sale or purchase of crude petroleum withdrawn from the ground subsequent to January 1, 1932, in violation of any State or Federal law (not including withdrawal in violation of any code of fair competition approved under the National Industrial Recovery Act or illegal withdrawal, the penalties for which have been mitigated or satisfied in pursuance of law prior to the enactment of this act), or arising out of any fee derived from acting as agent for any seller or purchaser in connection with a sale or purchase of such petroleum or products thereof, or any amount illegally received by any person charged with the enforcement of law with respect to such petroleum or products thereof.

The amendment was agreed to.

Mr. HARRISON. Mr. President, there is one other provision, with reference to the produce tax, on which I understand the Senator from North Dakota desires to be heard. I should like to get some idea about what other amendments there are.

Mr. LA FOLLETTE. Mr. President, I desire to offer an amendment to make income-tax returns public records. I understand that the Senator from Missouri [Mr. CLARK] has an amendment with relation to the taxation of tax-exempt securities. Those are the only amendments about which I can inform the Senator.

Mr. HARRISON. I understand that the Senator from Arizona [Mr. ASHURST] has an amendment and that the Senator from Minnesota [Mr. SHIPSTEAD] has an amendment. Unless some Senator raises an objection, it is my purpose to accept the amendment that is to be offered by the Senator from Minnesota. We might dispose of some of these matters now, and tomorrow take up the other subjects that are to be discussed briefly.

Mr. LA FOLLETTE. Has the Senator abandoned any hope of disposing of the bill today?

Mr. HARRISON. I really do not think we can dispose of the bill today.

Mr. LA FOLLETTE. In that case it will be perfectly agreeable to me to withhold until tomorrow the offer of the amendment in which I am interested.

Mr. NORRIS. Mr. President, the Senator from Missouri [Mr. CLARK], whom I do not see in the Chamber at the present time, has a very important amendment.

Mr. HARRISON. I understood that the Senator from Missouri was planning to offer that amendment and that it might involve some discussion.

Mr. NORRIS. It will involve some discussion.

Mr. ASHURST. On what particular subject is the amendment?

Mr. NORRIS. On the taxation of what are now called "tax-exempt" securities.

Mr. HARRISON. Will the Senator from Minnesota offer his amendment now?

Mr. SHIPSTEAD. Yes, Mr. President. I send to the desk an amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 237, after line 20, it is proposed to insert the following:

Section 2 of the Liquor Tax Act of 1934 is amended to read as follows:

"SEC. 2. Paragraphs (3) and (4) of subdivision (a) of section 600 of the Revenue Act of 1918, as amended (relating to the tax on distilled spirits generally and the tax on distilled spirits diverted for beverage purposes) (U.S.C., supp. VI, title 26, sec. 1150 (a) (1) and (2)), are amended to read as follows:

"'(3) On and after January 1, 1928, and until the effective date of title I of the Liquor Taxing Act of 1934, $1.10 on each proof-gallon or wine-gallon when below proof and a proportionate tax at a like rate on all fractional parts of such proof- or wine-gallon; and

"'(4) On and after the effective date of title I of the Liquor Taxing Act of 1934, $2 on each proof-gallon or wine-gallon when below proof and a proportionate tax at a like rate on all fractional parts of such proof- or wine-gallon.

"'*Provided, however,* That on and after the effective date of the Revenue Act of 1934 any manufacturer finding it necessary to use alcohol (other than denatured or specially denatured alcohol) in the arts or sciences or in the manufacture, extraction, solution, or preservation of any article of commerce which when manufactured and prepared for the market is unfit for use for intoxicating-beverage purposes, may use the same under regulations which shall be prescribed by the Secretary of the Treasury, and upon satisfying the collector of internal revenue for the district wherein he resides or carries on business that he has complied with such regulations and that such alcohol has been used therein for no other purposes than hereinabove stated, and exhibiting and delivering up the stamps which show that a tax has been paid thereon, shall be entitled to receive from the Treasury of the United States a rebate or repayment of 90 cents on each proof-gallon or wine-gallon of alcohol when below proof and a proportionate amount at a like rate on all fractional parts of such proof- or wine-gallon: *Provided, however,* That such rebate or repayment shall not be made in the case of any alcohol withdrawn from bonded warehouses prior to the effective date of the Revenue Act of 1934.

"'The Secretary of the Treasury shall forthwith prescribe the regulations provided for herein for the supervision and enforcement of this act.'"

The PRESIDING OFFICER. The question is on the amendment of the Senator from Minnesota [Mr. SHIPSTEAD].

Mr. COPELAND. Mr. President, I simply desire to appeal to the Senator from Mississippi [Mr. HARRISON] to take this amendment to conference, because it is a matter which ought to be given consideration.

Mr. McKELLAR. Mr. President, I desire to join in that request.

Mr. HARRISON. Mr. President, the committee gave consideration to the question of alcohol going into medicinal preparations. We received many telegrams from over all the country with reference to the subject. I thought it was another amendment that the Senator was going to offer. I did not know it was this one; but I am willing to let the amendment go to conference and be considered there.

Mr. COUZENS. Mr. President, I desire to ask the Senator from Minnesota a question about the last sentence of the amendment. There seems to be a blank there.

Mr. SHIPSTEAD. The last sentence of the printed amendment has been stricken out.

Mr. COUZENS. The whole paragraph?

Mr. SHIPSTEAD. No; the regulations are provided for.

Mr. COUZENS. May I ask that the clerk read again the last section of the amendment?

The PRESIDING OFFICER. The clerk will reread the last section of the amendment.

The legislative clerk read as follows:

Provided, however, That such rebate or repayment shall not be made in the case of any alcohol withdrawn from bonded warehouses prior to the effective date of the Revenue Act of 1934.

The Secretary of the Treasury shall forthwith prescribe the regulations provided for herein for the supervision and enforcement of this act.

The PRESIDING OFFICER. The Chair is advised that the amendment has been modified from the form in which it was originally printed.

The question is on agreeing to the amendment offered by the Senator from Minnesota.

The amendment was agreed to.

Mr. SHIPSTEAD. Mr. President, I send to the desk another amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 236, line 10, it is proposed to strike out "$20" and insert "$75", so as to read:

SEC. 607. Tax on furs: The tax imposed by section 604 of the Revenue Act of 1932 shall not apply to articles sold by the manufacturer, producer, or importer, after the date of the enactment of this act, for less than $75.

Mr. SHIPSTEAD. Mr. President, it will be necessary to reconsider the action on the committee amendment that was agreed to the other day in order to present this amendment; and I hope the Senator from Mississippi will consent to have that done.

Mr. HARRISON. I ask unanimous consent that the action on the committee amendment may be reconsidered for the purpose of considering the amendment offered by the Senator from Minnesota.

The PRESIDING OFFICER. Is there objection? The Chair hears none; and the vote whereby the committee amendment was agreed to is reconsidered.

The question is on the amendment offered by the Senator from Minnesota to the amendment of the committee.

Mr. HARRISON. Mr. President, the Senator from Minnesota has talked to members of the committee with reference to this amendment with regard to fur coats which are used in the northern part of the country. May I ask the Senator from Minnesota whether such coats cost $75 or more?

Mr. SHIPSTEAD. Not much of a coat can be purchased for $75, but a person can get along with a $75 fur coat. The amendment will save a poor man who has to have a fur coat for himself or his wife from paying a tax upon what is really a necessary article. Though not of universal use in the country, in the northern half of the United States fur coats are necessities for the people.

Mr. COPELAND. Mr. President, I desire to add my appeal to that of the Senator from Minnesota.

Mr. HARRISON. The Senator from Minnesota talked to me about this matter. We have had a great deal of trouble about the fur section of the bill. I had hoped we might be able to strike it out altogether, but we cannot lose the revenue. If the Senate wishes to adopt this amendment, it will be perfectly agreeable to me up to a value of $75.

Mr. COUZENS. Mr. President, has the Senator from Mississippi made an estimate of the amount of revenue that will be lost in case this amendment shall be adopted?

Mr. HARRISON. We received $7,000,000 of revenue from the whole fur tax. The experts think that if this amendment should be adopted we probably would lose around $2,000,000 of revenue.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Minnesota to the amendment of the committee.

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

Mr. McKELLAR. I offer an amendment, which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 127, after line 4, it is proposed to insert the following new subsection:

(d) Under regulations prescribed by the Commissioner, with the approval of the Secretary, every corporation subject to taxation under this title shall, in its return, submit a list of the names of all officers and employees of such corporation and the respective amounts paid to them during the taxable year of the corporation by the corporation as salary, commission, bonus, or other compensation for personal services rendered, if the aggregate amount so paid to the individual is in excess of $15,000. The Secretary of the Treasury shall submit an annual report to Congress compiled from the returns made containing the names of, and amounts paid to, each such officer and employee and the name of the paying corporation.

Mr. HARRISON. Mr. President, I hope the Senate will agree to this amendment, because already the corporations have to furnish the Secretary of the Treasury a salary list. This amendment would merely direct that the Secretary of the Treasury shall transmit that list of salaries, where they amount to $15,000 or more, and of bonuses of $15,000 or more, so that they might be published.

Mr. McKELLAR. Mr. President, I was very sorry the other amendment was voted down a day or two ago, but this will compensate in part.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee.

The amendment was agreed to.

Mr. HARRISON. Mr. President, I ask the Senator from North Dakota [Mr. FRAZIER] whether we cannot now take up the produce amendment and get it out of the way?

Mr. FRAZIER. I am perfectly willing to proceed at this time.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 237, after line 11, it is proposed by the committee to insert the following amendment:

SEC. 611. Stamp tax on sales of produce for future delivery: (a) Effective on the day following the enactment of this act subdivision 4 of schedule A of title VIII of the Revenue Act of 1926, as amended, is amended by striking out "5 cents" wherever appearing in such subdivision, and inserting in lieu thereof "1 cent".

(b) Section 726 (c) of the Revenue Act of 1932 is repealed.

Mr. HARRISON. Mr. President, the Senator from Oklahoma [Mr. GORE] and the Senator from South Carolina [Mr. SMITH] are very anxious to be present when this amendment is discussed. I now notice that neither of those Senators is present, so I hope some other amendment may be taken up.

Mr. NORRIS. Mr. President, I should like to have an amendment I desire to offer considered at this time.

Mr. HARRISON. Very well.

Mr. NORRIS. When the last revenue act was before the Senate, the question was raised of the exemption from taxation of some of the farmers' cooperative organizations. A construction had been placed upon the existing law to which objection was made. The matter was referred by resolution to the Committee on Agriculture and Forestry of the Senate. That committee took considerable testimony on the Senate resolution which bore on the subject. As a result of the hearings, at which appeared the representatives of the farm organizations as well as the representatives of the Bureau of Internal Revenue, no objection was raised to the change, except that the representatives of the Bureau of Internal Revenue contended that a construction which they had placed upon the law was a correct one.

It was a controverted question. In order to settle it, I was directed, as chairman of the committee, to propose an amendment to the revenue bill which was about to be brought before the Senate. I did that. We took it up in the Senate; and after some debate on it and a full explanation, the amendment was agreed to. It went into the measure. Most Senators thought it remained in the bill. As a matter of fact, it was one of the many amendments which went out in conference. I am presenting now the same amendment, and I send it to the clerk's desk and ask that it be reported.

I might say that while I do not remember the exact figures it would result in a very small loss in revenue. The committee was of the opinion that the decision of the Bureau of Internal Revenue was too severe, that it was not correct, but we felt that the way to remedy the situation was to insert an amendment in the revenue bill, and that is how it came before the Senate.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 53, after line 16, it is proposed to insert the following:

Neither shall any such association be denied exemption because it does not keep ledger accounts with nonmembers of the business it transacts with such nonmembers, but it shall only be required to keep such records of its business with nonmembers as will show the actual business done with such nonmembers; and provided further, that the profits, if any, derived from its business with nonmembers in any fiscal year of the association shall be allowed to remain in the business of the association, subject to the right of such nonmember to use his share upon a patronage basis to qualify as a member of the association.

Mr. HARRISON. Mr. President, the Senator from Nebraska will recall that this matter was debated at length in 1932. As I understand, it is the same proposal that was presented by the Senator at that time.

Mr. NORRIS. Yes.

Mr. HARRISON. The Senate adopted the amendment then.

Mr. NORRIS. It did.

Mr. HARRISON. And it went out in conference.

Mr. NORRIS. It went out in conference.

Mr. HARRISON. It went out in conference at that time because the conferees adopted the view of the Treasury Department.

Mr. NORRIS. I might discuss the matter fully, since I know all about it as far as the arguments go; but, as a matter of fact, some of the representatives of the Bureau of Internal Revenue at that time were unfriendly. I do not go any higher than those representatives, because I do not blame the administration. I had an agreement with the representatives of the Bureau, and with the attorney for the farmers-union elevators in my State, and I thought the whole controversy was to be settled. It was not settled, because of the unfriendliness of some of the officials of the Bureau of Internal Revenue.

I have reason to believe, from my conversations and from my correspondence with the present officials of the Bureau of Internal Revenue, that they would put a construction on the law different from that put on it by their predecessors, and no amendment of this kind would be necessary if it had not been that they were confronted with the old record, and they want some legislation in order to meet the situation.

Mr. HARRISON. Mr. President, I am willing to let the matter go to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Nebraska [Mr. NORRIS].

The amendment was agreed to.

Mr. HARRISON. Mr. President, if the Senator from North Dakota is ready to proceed with the produce matter, the Senator from Oklahoma [Mr. GORE] is here. Following that I think I shall move that the Senate take a recess, if it will meet with the approval of the Senate. I should like to get this matter out of the way tonight.

Mr. MCNARY. Mr. President, may I supplement the Senator's statement by saying that the Senator from South Carolina [Mr. SMITH] wanted to be present when this matter was considered.

Mr. HARRISON. I sent for the Senator from South Carolina, who is very much in favor of the Senate committee action, and he came to the Chamber, but had a conference to attend, so he left again, and I promised to send for him if it was necessary. I had hoped that the Senator from North Dakota might allow the amendment to be adopted, and let us try it out this way for a while.

Mr. FRAZIER. Mr. President, I do not intend to make any serious objection to the adoption of the amendment, but I want to speak on it before it is adopted. I am perfectly willing to speak tonight, or when the Senate meets tomorrow.

Mr. LA FOLLETTE. Mr. President, I desire to offer an amendment to the pending bill, which I ask to have printed and lie on the table. I should also like to have the amendment printed in the RECORD.

The amendment was ordered to be printed and to lie on the table, and to be printed in the RECORD, as follows:

On page 45, to strike out, beginning in line 23, down through line 5, on page 46, and insert:

"(a) Returns made under this title upon which the tax has been determined by the Commissioner shall constitute public records and shall be open to public examination and inspection under rules and regulations promulgated by the Secretary and approved by the President. Whenever a return is open to the inspection of any person, a certified copy thereof shall, upon request, be furnished to any person under rules and regulations prescribed by the Commissioner with the approval of the Secretary. The Commissioner may prescribe a reasonable fee for furnishing such copy.

"(b) (1) The Secretary and any officer or employee of the Treasury Department, upon request from the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, or a select committee of the Senate or House specially authorized to investigate returns by a resolution of the Senate or House, or a joint committee so authorized by concurrent resolution, shall furnish such commitee sitting in executive session with any data of any character contained in or shown by any return.

"(2) Any such committee shall have the right, acting directly as a committee, or by or through such examiners or agents as it may designate or appoint, to inspect any or all of the returns at such times and in such manner as it may determine.

"(3) Any relevant or useful information thus obtained may be submitted by the committee obtaining it to the Senate or the House, or to both the Senate and the House, as the case may be.

"(c) The proper officers of any State may, upon the reqeust of the Governor thereof, have access to the returns of any corporation, or to an abstract thereof showing the name and income of the corporation, at such times and in such manner as the Secretary may prescribe.

"(d) All bona fide shareholders of record owning 1 percent or more of the outstanding stock of any corporation shall, upon making request of the Commissioner, be allowed to examine the an-

nual income returns of such corporation and of its subsidiaries. Any shareholder who pursuant to the provisions of this section is allowed to examine the return of any corporation, and who makes known in any manner whatever not provided by law or permitted by regulation the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any such return, shall be guilty of a misdemeanor and be punished by a fine not exceeding $1,000 or by imprisonment not exceeding 1 year, or both.

"(e) The Commissioner shall as soon as practicable in each year cause to be prepared and made available to public inspection in such manner as he may determine, in the office of the collector in each internal-revenue district and in such other places as he may determine, lists containing the name and the post-office address of each person making an income-tax return in such district."

RECESS

Mr. HARRISON. Mr. President, we have worked pretty hard today, and I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 4 o'clock and 45 minutes p.m.) the Senate took a recess until tomorrow, Friday, April 13, 1934, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

THURSDAY, APRIL 12, 1934

The House met at 12 o'clock noon.

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

Our divine Father, Thou whose heart throbs with yearning and who waits to forgive, let in Thy light, whose splendor streams through the countless windows upon this old, rugged world. Show us Thyself that we may see ourselves. We thank Thee for divine love touched with pity. Oh, the blending of majesty with sympathy, of strength with gentleness, of passion with repose, of perfection with sinful, sorrowing men. Blessed Lord God, how inaccessible Thou art; yet we see Thee in our Savior's compassion, which arches over all like a rainbow from sky to sky. Heavenly Father, sustain us in our daily circumstances and experiences. Be with us, bravely fighting, nobly living, patiently suffering, and joyfully climbing, all because we live. Glory be unto Thy holy name. Amen.

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

A PARLIAMENTARY QUESTION

Mr. WARREN. Mr. Speaker, I rise to propound a parliamentary inquiry.

I have always thought that this fool discharge rule that we have here in the House is an abomination; that it is an ever-present threat to orderly procedure, party responsibility and leadership, and that it will finally club off the heads of its proponents and those who seek to perpetuate it. Believing as I do, I should like to see it made as odious as possible. I therefore hesitate to propound this inquiry that might make it more palatable.

In yesterday's Washington Times there appeared an article on the McLeod bill which stated that a petition was on the Speaker's desk to discharge the committee. This article carries the names of 123 Members of the House who have signed the petition and it has been published now to the world. We have a clear-cut decision on this rule, although it was only adopted in December 1931. The first discharge petition, as I now recall, was one to discharge the Committee on Rules from a bill that was reported out by the Committee on Irrigation and at that time—February 23, 1932—Mr. Hall, of Mississippi, called attention to the presence of the petition on the Speaker's desk. Speaker Garner at that time ruled:

> Any Member desiring to file such a petition may file it with the Clerk and notify the Members, as he sees proper, either from the floor or by written communication. These signatures cannot be made public until the required number of Members have signed the petition.

Mr. Speaker, I desire to ask by what authority any Member, officer, or employee of the House has given out this information in violation of the rules, or if there has been any relaxation in that rule?

Mr. O'CONNOR. Will the gentleman yield?

Mr. WARREN. I yield to the gentleman from New York.

Mr. O'CONNOR. I am glad the gentleman has brought up this point, because it recalls to me the time when there was a petition on the desk, Mr. Longworth being the Speaker, and the names were given out to the public in some way. There was also an allegation at that time that somebody had taken the petition book or paper off the desk and had gone out on the steps of the Capitol and had it photographed, with a great hullaballoo and show about the matter. At that time Speaker Longworth suggested to some of the leaders of the House that he would welcome an investigation and would gladly appoint a committee to investigate the matter and submit it to the House for proper punishment to be inflicted upon anybody who was guilty of disclosing the names on the petition before it had been completed. He felt, and the leaders did, that such conduct was a gross violation of the rules of the House.

Mr. McDUFFIE. Will the gentleman yield?

Mr. WARREN. I yield to the gentleman from Alabama.

Mr. McDUFFIE. I am glad the gentlemen from New York, who is a prominent member of the Rules Committee, is present, because I shall ask him as a member of that committee if he thinks there is a possibility of having his committee report a resolution that he has introduced, not repealing the discharge rule, and I do not think the House wishes to repeal the discharge rule, but to amend it so that when a majority of the Members of this House signify their intention or suggest by signing a petition for the discharge of a committee, even the Rules Committee, from further consideration of a bill, such a bill can and should be presented to this House for consideration. May I say, as the gentleman from North Carolina has so well said, I know of nothing that this House could do that will interfere more with orderly procedure than to continue to operate under the present discharge rule.

It is an ideal thing, it is true, for a block or a minority, to be used, not altogether for purposes of good legislation, but for political purposes. It is a millstone about the neck of the majority charged with the responsibility for legislation. We, the majority, are held responsible for legislation. A minority has its useful purpose. Under our form of government indeed it is well to have a minority in the legislative branch of the government.

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

Mr. McDUFFIE. I yield to the gentleman from New York.

Mr. SNELL. The gentleman would not lay the adoption of this rule to the present minority?

Mr. McDUFFIE. Not at all. Nor did I suggest that.

Mr. SNELL. I just wanted to know the gentleman's attitude.

Mr. McDUFFIE. I am hoping the gentleman, who is a good legislator, will join with those on this side who wish to eliminate or amend the rule so as to provide that a majority of the Members of this House may have any legislation considered that such a majority may deem necessary. It is wrong for 145 Members of this House to force 435 Members to consider and vote for bills that may not be approved by a majority.

I have had gentlemen in this House who at first were thoroughly in favor of this discharge rule but who observed its operation, tell me that they now appreciate the handicaps of such a rule, and that they are now willing to eliminate or amend the rule.

I am calling upon the leaders of this House, whose hands I have tried to uphold, and especially upon the Rules Committee, to report the resolution offered by the gentlemen from New York, [Mr. O'CONNOR] to amend the so-called "discharge rule."

Mr. PATMAN. Will the gentleman yield?

Mr. McDUFFIE. I yield to the gentleman from Texas.

Mr. PATMAN. The gentleman realizes that 21 members of a committee can get consideration of any proposal. The