COMMITTEE HEARINGS

COMMITTEE ON INVALID PENSIONS

There will be a meeting of the Committee on Invalid Pensions at 10 a. m. on Wednesday, May 31, 1939, in room 247, House Office Building, for the purpose of holding public hearings on H. R. 2889, a bill to provide that the widows and orphans of deceased veterans of the Regular Establishment shall be entitled to the same pensions, under the same conditions otherwise, as provided for widows and orphans of deceased World War veterans, and for other purposes; H. R. 2897, a bill to equalize the pensions payable to the dependents of veterans of the Regular Establishment with those payable to dependents of veterans of the World War whose death is due to service; and H. R. 6129, a bill to restore to the widows of the Regular Establishment the marriage privileges taken away by the Economy Act.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be a meeting of the Committee on Immigration and Naturalization at 10:30 a. m. Wednesday, May 31, 1939, on House Joint Resolution 165, Dingell child refugee bill; House Joint Resolution 168, Rogers child refugee bill.

COMMITTEE ON INDIAN AFFAIRS

There will be a meeting of the Committee on Indian Affairs on Wednesday next, May 31, 1939, at 10:30 a. m., for the consideration of House Joint Resolution 117, H. R. 2390, H. R. 2776, H. R. 3797, H. R. 5002, and H. R. 5409.

COMMITTEE ON FOREIGN AFFAIRS

There will be a meeting of the Committee on Foreign Affairs (executive session) in the committee rooms, Capitol, at 10:30 a. m. Thursday, June 1, 1939, for the consideration of House Joint Resolution 306, Neutrality Act of 1939.

COMMITTEE ON THE JUDICIARY

On May 31, 1939, beginning at 10 a. m., there will be a public hearing before the Committee on the Judiciary on the bill (H. R. 6369) to amend the act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplemental thereto; to create a Railroad Reorganization Court, and for other purposes.

There will be a public hearing before Subcommittee No. III of the Committee on the Judiciary on Friday, June 2, 1939, at 10 a. m., on the bill (H. R. 2318) to divorce the business of production, refining, and transporting of petroleum products from that of marketing petroleum products. Room 346, House Office Building.

COMMITTEE ON THE POST OFFICE AND POST ROADS

The Committee on the Post Office and Post Roads will continue to hold public hearings on Thursday, June 1, 1939, at 10 a. m., for the consideration of H. R. 3835, a bill to authorize the Post Office Department to cooperate with the several States in the collection of State taxes.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold public hearings in room 219, House Office Building, at 10 a. m., on the bills and dates listed below:

On Wednesday, May 31, 1939, at 10 a. m., on H. R. 4985, relating to Fishery Educational Service in Bureau of Fisheries (CALDWELL); H. R. 5025, purchase and distribution of fish products (BLAND); and H. R. 5681, purchase and distribution of fish products (CALDWELL).

On Tuesday, June 6, 1939, on H. R. 6039, motorboat bill of 1939 (BLAND); and H. R. 6273, outboard racing motorboats (BOYKIN).

On Thursday, June 8, 1939, on H. R. 5837, alien owners and officers of vessels (KRAMER); and H. R. 6042, requiring numbers on undocumented vessels (KRAMER).

On Tuesday, June 13, 1939, on H. R. 1011, drydock facilities for San Francisco (WELCH); H. R. 2870, drydock facilities for Los Angeles (THOMAS F. FORD); H. R. 3040, drydock facilities for Los Angeles (GEYER of California); and H. R. 5787, drydock facilities for Seattle, Wash. (MAGNUSON).

On Thursday, June 15, 1939, on H. J. Res. 194, investigate conditions pertaining to lascar seamen (SIROVICH).

On Friday, June 16, 1939, on H. R. 5611, district commanders bill (U. S. Coast Guard).

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred, as follows:

By The SPEAKER: Memorial of the Legislature of the State of California, memorializing the President and the Congress of the United States to consider their senate joint resolution No. 5, relative to shipbuilding facilities on the Pacific coast; to the Committee on Appropriations.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions of the following titles were introduced and severally referred, as follows:

By Mr. BARNES:

H. R. 6569. A bill granting a pension to Deck Dabbs; to the Committee on Invalid Pensions.

By Mr. BOREN:

H. R. 6570. A bill for the relief of W. Cooke; to the Committee on Claims.

By Mr. PETERSON of Florida:

H. R. 6571. A bill granting a pension to Jesse P. Gaither; to the Committee on Claims.

By Mr. DIMOND:

H. Res. 207. House resolution providing for a special employee of the House of Representatives; to the Committee on Accounts.

SENATE

WEDNESDAY, MAY 31, 1939

The Reverend Harry Rimmer, D. D., Sc. D., of Duluth, Minn., president of the Research Science Bureau, offered the following prayer:

Our Heavenly Father, we thank Thee for every good and gracious gift that Thou hast bestowed upon men, for the gift of life and health and strength, for tasks to do and the courage to perform. We pray Thy blessing upon this group of men who rule us, and we ask that the wisdom of the Holy Spirit may be manifested in all of their decisions. As Thou shalt lay upon them problems that are weighty, wilt Thou give them also understanding from above, that the old foundation of Christian faith may continue to be the standard of our daily conduct. Bless these men in their individual lives, that they may be able to render unto God an acceptable accounting of their thoughts and their conduct. For Jesus Christ's sake. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, May 29, 1939, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the bill (H. R. 2878) to authorize the Secretary of the Navy to proceed with the construction of certain public works, and for other purposes.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and joint resolutions, and they were signed by the Vice President:

H. R. 913. An act to prohibit the unauthorized use of the name or insignia of the 4-H clubs, and for other purposes;

H. R. 2044. An act for the relief of R. Dove and Laura J. Dove;

H. R. 2097. An act for the relief of Homer C. Stroud;

H. R. 2259. An act for the relief of Stanley Mercuri;

H. R. 2345. An act for the relief of R. H. Gray;

H. R. 2878. An act to authorize the Secretary of the Navy to proceed with the construction of certain public works, and for other purposes;

H. R. 2926. An act for the relief of Bernard Woodruff;

H. R. 3074. An act for the relief of Edgar Green;

H. R. 3300. An act for the relief of Grace Rouse;

H. R. 3646. An act to authorize certain officers and employees to administer oaths to expense accounts;

H. R. 3897. An act for the relief of Harry L. Smigell;

H. R. 5136. An act to amend the act entitled "An act to provide books for the adult blind," approved March 3, 1931;

H. R. 5324. An act to amend certain sections of the National Housing Act;

H. R. 5485. An act permitting the War Department to transfer old horses and mules to the care of reputable humane organizations;

H. R. 5601. An act for the relief of John T. Clarkson;

H. R. 5756. An act to amend section 509 of the Merchant Marine Act, 1936, as amended;

H. J. Res. 171. Joint resolution authorizing the President of the United States to accept on behalf of the United States a conveyance of certain lands on Government Island from the city of Alameda, Calif., and for other purposes;

H. J. Res. 189. Joint resolution to define the status of the Under Secretary of Agriculture, and for other purposes; and

H. J. Res. 280. Joint resolution authorizing the payment of salaries of the officers and employees of Congress on the first workday preceding the last day of any month when the last day falls on Sunday or a legal holiday.

LAWS OF THE FIRST NATIONAL ASSEMBLY OF THE PHILIPPINES

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on Territories and Insular Affairs.

To the Congress of the United States:

As required by section 2 (a) (11) of the act of Congress approved March 24, 1934, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," I transmit herewith copies of laws enacted by the First National Assembly of the Philippines during its third session, from January 24, 1938, to May 19, 1938; its fourth special session, May 23 and 24, 1938; and its fifth special session, from July 25, 1938, to August 15, 1938.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *May 31, 1939.*

SUPPLEMENTAL ESTIMATES, DEPARTMENT OF COMMERCE (S. DOC. NO. 78)

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, transmitting, pursuant to law, supplemental estimates of appropriations under the Department of Commerce, Coast and Geodetic Survey, for the fiscal year 1940, amounting to $360,000, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

ADDITION OF LANDS TO ROCKY MOUNTAIN NATIONAL PARK, COLO.

The VICE PRESIDENT laid before the Senate a letter from the Secretary of the Interior, transmitting a draft of proposed legislation to add certain lands to the Rocky Mountain National Park in the State of Colorado, and for other purposes, which, with the accompanying papers, was referred to the Committee on Public Lands and Surveys.

DISPOSITION OF EXECUTIVE PAPERS

The VICE PRESIDENT laid before the Senate letters from his signature to the following enrolled bills and joint resolu-
law, lists of papers and documents on the files of the Departments of the Treasury, of War, of Justice (4), Post Office, of the Navy, of the Interior, of Agriculture, of Commerce (2), of Labor; the Civil Service Commission, the United States Tariff Commission, the Federal Housing Administration, the Panama Canal, and the Northwest Territorial Celebration Commission, which are not needed in the conduct of business and have no permanent value or historical interest, and requesting action looking to their disposition, which, with the accompanying papers, were referred to a Joint Select Committee on the Disposition of Executive Papers.

The VICE PRESIDENT appointed Mr. BARKLEY and Mr. GIBSON members of the committee on the part of the Senate.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate petitions of sundry citizens of the State of California, praying for the enactment of pending general-welfare legislation granting old-age assistance, which were referred to the Committee on Finance.

Mr. WHEELER presented petitions of sundry citizens of the State of Montana, praying for the enactment of legislation designed to keep the United States out of war, which were referred to the Committee on Foreign Relations.

Mr. WALSH presented a resolution of Belmont Post, No. 165, the American Legion, Belmont, Mass., protesting against the enactment of the so-called Wagner-Rogers bill, providing for the admission of refugee children from Germany into the United States, which was referred to the Committee on Immigration.

Mr. NORRIS presented a resolution of the Burwell National Farm Loan Association, of Burwell, Nebr., relative to the Federal Land Bank of Omaha, Nebr., taking into consideration the findings of the association and acting accordingly by reappraisement of all the lands upon which it has a Federal land-bank loan or commissioner's loan, and to arrive at a just and fair value of such real estate, to reduce and renew the same to a mortgage based upon the present valuation and upon the same proportion as is at present used in making new loans if any there be, and to permit the farmer or rancher to make payments on any indebtedness based upon the full amount, such appraisement and adjustment to be made as may be mutally agreed upon between the association and the Federal Land Bank of Omaha, Nebr., and to be uniform throughout the district, which was referred to the Committee on Agriculture and Forestry.

Mr. TYDINGS presented resolutions of the Maryland State and District of Columbia Federation of Labor, favoring the proposed new location of the Abbott Vocational School and also favoring the enactment of legislation granting sabbatical leave of absence to teachers in the District of Columbia, which were referred to the Committee on the District of Columbia.

He also presented petitions, numerously signed, of sundry citizens of the State of Maryland, praying for the enactment of House bill 2, a general-welfare bill granting old-age assistance, which were referred to the Committee on Finance.

Mr. CAPPER presented a petition, numerously signed, of sundry citizens of Oswego, Kans., praying for the enactment of House bill 2, a general-welfare bill granting old-age assistance, which was referred to the Committee on Finance.

He also presented a resolution adopted by the Third District Convention of the American Legion, Department of Kansas, Neodesha, Kans., favoring the enactment of legislation to provide for a reduction in the interest rates of loans on converted war-risk insurance policies, which was referred to the Committee on Finance.

He also presented a resolution adopted by the Third District Convention of the American Legion, Department of Kansas, Neodesha, Kans., protesting against the enactment of legislation to admit 20,000 refugee children from Germany

into the United States, which was referred to the Committee on Immigration.

He also presented a resolution adopted by the Labette County Unit of the American Indian Federation, Chetopa, Kans., favoring the enactment of legislation to provide for the ending of Federal supervision of certain individual Indians, and also to provide for the final settlement of Indian claims against the Government, which was referred to the Committee on Indian Affairs.

REPORTS OF COMMITTEES

Mr. CLARK of Missouri, from the Committee on Interoceanic Canals, to which was referred the bill (S. 310) to amend the Canal Zone Code, reported it without amendment and submitted a report thereon.

Mr. CLARK of Missouri subsequently said: Mr. President, earlier in the day I presented a report from the Committee on Interoceanic Canals on Senate bill 310. I think that bill requires some further hearings. I ask unanimous consent to withdraw the report, and that the bill be recommitted to the Committee on Interoceanic Canals.

The PRESIDING OFFICER (Mr. TRUMAN in the chair). Is there objection to the request of the Senator from Missouri? The Chair hears none, and it is so ordered.

Mr. ADAMS, from the Committee on Public Lands and Surveys, to which was referred the bill (S. 2237) to amend the Taylor Grazing Act, reported it without amendment and submitted a report (No. 505) thereon.

He also, from the same committee, to which was referred the bill (S. 2133) authorizing the conveyance of certain lands to the State of Nevada, reported it with an amendment and submitted a report (No. 506) thereon.

Mr. TOWNSEND, from the Committee on Claims, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 1474. A bill for the relief of Thomas G. Abbitt (Rept. No. 504); and

H. R. 2478. A bill for the relief of the Wisconsin Milling Co. and Wisconsin Telephone Co. (Rept. No. 507).

Mr. TOWNSEND also, from the Committee on Claims, to which was referred the bill (S. 2023) for the relief of C. L. Herren, reported it with amendments and submitted a report (No. 508) thereon.

He also, from the same committee, to which was referred the bill (H. R. 2346) for the relief of Virgil Kuehl, a minor, reported it with an amendment and submitted a report (No. 509) thereon.

Mr. LOGAN, from the Committee on Claims, to which was referred the bill (H. R. 1363) for the relief of George Houston, reported it without amendment and submitted a report (No. 510) thereon.

Mr. ELLENDER, from the Committee on Claims, to which was referred the bill (H. R. 2583) for the relief of A. W. Evans, reported it with an amendment and submitted a report (No. 511) thereon.

Mr. HUGHES, from the Committee on Claims, to which was referred the bill (S. 2276) for the relief of the R. G. Schreck Lumber Co., reported it with an amendment and submitted a report (No. 512) thereon.

He also, from the same committee, to which were referred the following bills, reported them each with amendments and submitted reports thereon:

S. 263. A bill for the relief of George R. Morris (Rept. No. 513); and

S. 2275. A bill for the relief of Floyd M. Dunscomb (Rept. No. 514).

Mr. SHEPPARD, from the Committee on Military Affairs, to which was referred the bill (S. 28) to provide for the erection of a public historical museum in the Custer Battlefield National Cemetery, Mont., reported it with an amendment and submitted a report (No. 515) thereon.

Mr. MINTON, from the Committee on Military Affairs, to which was referred the bill (S. 903) to authorize the Chief of Engineers of the Army to enter into agreements with local governments adjacent to the District of Columbia for the use of water for purposes of fire fighting only, reported it without amendment and submitted a report (No. 516) thereon.

Mr. DOWNEY, from the Committee on Military Affairs, to which was referred the bill (S. 1238) for the relief of Maude Isabel Rathburn Miner, reported it without amendment and submitted a report (No. 517) thereon.

Mr. PITTMAN, from the Committee on Public Lands and Surveys, to which was referred the bill (S. 2) authorizing the Secretary of the Interior to convey certain land to the State of Nevada to be used for the purposes of a public park and recreational site and other public purposes, reported it with an amendment and submitted a report (No. 518) thereon.

He also, from the Committee on Foreign Relations, to which were referred the following bills and joint resolutions, reported them severally without amendment and submitted reports thereon:

H. R. 3065. A bill to amend Public Law No. 370, Seventy-fourth Congress, approved August 27, 1935 (49 Stat. 906) (Rept. No. 519);

H. R. 5933. A bill for the relief of Frances Virginia McCloud (Rept. No. 520);

H. R. 5934. A bill for the relief of W. Elisabeth Beitz (Rept. No. 521);

H. R. 5935. A bill for the relief of Charlotte J. Gilbert (Rept. No. 522);

S. J. Res. 137. Joint resolution authorizing and requesting the President to accept the invitation of the Government of Norway to the Government of the United States to participate in an International Exhibition of Polar Exploration, which will be held at Bergen, Norway, in 1940; and authorizing an appropriation to cover the expenses of such participation (Rept. No. 523); and

H. J. Res. 180. Joint resolution to provide that the United States extend to foreign governments invitations to participate in the Seventh International Congress for the Rheumatic Diseases to be held in the United States during the calendar year 1940, and to authorize an appropriation to assist in meeting the expenses of the session (Rept. No. 524).

ENROLLED BILLS PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that that committee presented to the President of the United States the following enrolled bills:

On May 24, 1939:

S. 1579. An act to extend the time during which orders and marketing agreements under the Agricultural Adjustment Act, as amended, may be applicable to hops; and

S. 1583. An act to amend the act of March 2, 1929 (45 Stat. 1492), entitled "An act to establish load lines for American vessels, and for other purposes."

On May 25, 1939:

S. 1096. An act to amend the Agricultural Marketing Agreement Act of 1937, as amended, to make its provisions applicable to apples produced in the States of Washington, Oregon, and Idaho.

On May 29, 1939:

S. 1369. An act to authorize necessary facilities for the Coast Guard in the interest of national defense and the performance of its maritime police functions; and

S. 1842. An act to authorize the construction of certain vessels for the Coast and Geodetic Survey, Department of Commerce, and for other purposes.

BILLS AND JOINT RESOLUTIONS INTRODUCED

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

By Mr. SCHWELLENBACH:

S. 2519. A bill for the purpose of extending to employees of the Government of the United States rights and privilege in adjusting grievances; and

S. 2520. A bill for the purpose of regulating the conditions of employment of mechanics and helpers at all navy yards and naval stations under the Navy Department, and for other purposes; to the Committee on Naval Affairs.

By Mr. NEELY:

S. 2521. A bill granting an increase of pension to Mary M. Lewis; to the Committee on Pensions.

By Mr. NYE:

S. 2522. A bill to transfer from the Farm Credit Administration and certain agencies thereof to the Secretary of Agriculture certain notes and other evidences of indebtedness, and for other purposes; to the Committee on Agriculture and Forestry.

By Mr. THOMAS of Oklahoma:

S. 2523. A bill to provide for the construction, extension, equipment, and improvement of public-school facilities at McCurtain, Okla., Haskell County; to the Committee on Indian Affairs.

By Mr. DOWNEY:

S. 2524. A bill to incorporate the Military Order of the Purple Heart; to the Committee on the Judiciary.

By Mr. SHEPPARD:

S. 2525. A bill for the relief of Samuel Richard Mann; to the Committee on Finance.

By Mr. BARKLEY:

S. 2526. A bill to authorize Leonhard Stejneger, of the United States National Museum, to accept certain decoration from the Norwegian Government; to the Committee on Foreign Relations.

By Mr. WILEY:

S. J. Res. 141. Joint resolution proposing an amendment to the Constitution of the United States relating to the terms of office of the President and the Vice President; to the Committee on the Judiciary.

By Mr. LUNDEEN:

S. J. Res. 142. Joint resolution proposing an amendment to the Constitution of the United States relating to old-age assistance; to the Committee on the Judiciary.

AMENDMENTS TO RIVER AND HARBOR AUTHORIZATION BILL

Mr. WHITE. Mr. President, on behalf of my colleague [Mr. HALE], who is necessarily temporarily absent, I submit an amendment.

The amendment submitted by Mr. WHITE (for Mr. HALE) and intended to be proposed by Mr. HALE to the bill (H. R. 6264) authorizing the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes, was referred to the Committee on Commerce and ordered to be printed.

Mr. SHEPPARD submitted an amendment intended to be proposed by him to House bill 6264, the river and harbor authorization bill, which was referred to the Committee on Commerce and ordered to be printed.

APPROPRIATIONS FOR CIVIL FUNCTIONS OF THE WAR DEPARTMENT—AMENDMENTS

Mr. WHEELER submitted an amendment intended to be proposed by him to the bill (H. R. 6260) making appropriations for the fiscal year ending June 30, 1940, for civil functions administered by the War Department, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 4, between lines 7 and 8, to insert the following:

"Custer Battlefield National Cemetery, Mont., historical museum: For the erection and maintenance, by the Secretary of War, of a public historical museum within the Custer Battlefield National Cemetery, Mont., $75,000."

Mr. McKELLAR submitted an amendment intended to be proposed by him to the bill (H. R. 6260) making appropriations for the fiscal year ending June 30, 1940, for civil functions administered by the War Department, and for other purposes, which was ordered to lie on the table and to be printed, as follows:

On page 9, line 13, after the word "law", to insert a colon and the following additional proviso:

"*Provided further*, That the conditions of local cooperation for the Memphis, Tenn., flood-control project, authorized by the Flood Control Act approved August 28, 1937, shall be so modified that the cost of providing pumping stations and outlet works for interior drainage shall be borne by the United States, all in accordance with plans to be approved by the Chief of Engineers."

AMENDMENT OF SECOND LIBERTY BOND ACT—AMENDMENT

Mr. NORRIS submitted an amendment intended to be proposed by him to the bill (H. R. 5748) to amend the Second Liberty Bond Act, as amended, which was ordered to lie on the table and to be printed.

ADDITIONAL COPIES OF HEARINGS BEFORE COMMITTEE ON TERRITORIES AND INSULAR AFFAIRS—AMENDMENT OF PHILIPPINE INDEPENDENCE ACT

Mr. TYDINGS submitted the following resolution (S. Res. 140), which was referred to the Committee on Printing:

Resolved, That, in accordance with paragraph 3 of section 2 of the Printing Act, approved March 1, 1907, the Committee on Territories and Insular Affairs of the Senate, be, and is hereby, authorized and empowered to have printed for its use 1,000 additional copies of the hearings held before said committee during the current session on the bill (S. 1028) to amend an act entitled "An act to provide for the complete independence of the Philippine Islands; to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes."

MEMORIAL DAY ADDRESS BY SENATOR THOMAS OF OKLAHOMA

[Mr. LEE asked and obtained leave to have printed in the RECORD a Memorial Day address delivered by Senator THOMAS of Oklahoma, before the Second Division Association of the American Expeditionary Forces, at the Second Division Memorial, Washington, D. C., Tuesday, May 30, 1939, which appears in the Appendix.]

ADDRESS BY SENATOR PEPPER ON FOREIGN POLICY AND NEUTRALITY

[Mr. MINTON asked and obtained leave to have printed in the RECORD an address by Senator PEPPER on Foreign Policy and Neutrality, delivered in the program of the American Forum of the Air on April 9, 1939, which appears in the Appendix.]

ADDRESS BY GOVERNOR HOEY, OF NORTH CAROLINA, BEFORE REGIONAL CONFERENCE OF DEMOCRATIC WOMEN

[Mr. HARRISON asked and obtained leave to have printed in the RECORD an address delivered by Gov. Clyde R. Hoey, of North Carolina, before the Regional Conference of Democratic Women from 11 Southeastern States, held in Winston-Salem, N. C., May 23, 1939, which appears in the Appendix.]

CITIZENSHIP INDUCTION CEREMONY IN WISCONSIN

[Mr. LA FOLLETTE asked and obtained leave to have printed in the RECORD addresses delivered by Chief Justice Marvin B. Rosenberry, of the Supreme Court of Wisconsin, and Dr. C. A. Dykstra, president of the University of Wisconsin, at the citizenship induction ceremony, held at Manitowoc, Wis., May 21, 1939, which appear in the Appendix.]

THE PUBLIC-SERVICE COMMISSION OF WISCONSIN

[Mr. LA FOLLETTE asked and obtained leave to have printed in the RECORD an editorial from the Milwaukee Journal of April 29, 1939, entitled "To Kill the Public Service Commission," which appears in the Appendix.]

THE STRAIT OF PANAMA—ARTICLE BY PHILIPPE BUNAU-VARILLA

[Mr. LODGE asked and obtained leave to have printed in the RECORD an article by Philippe Bunau-Varilla, published in "Europe" for May 1938, entitled "The Strait of Panama," which appears in the Appendix.]

ORDER TO DISPENSE WITH CALL OF CALENDAR

The VICE PRESIDENT. The routine morning business having been concluded, the calendar, under rule VIII, is in order.

Mr. BARKLEY. I ask unanimous consent that the call of the calendar be dispensed with.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

ADDITIONAL LOCKS FOR PANAMA CANAL

Mr. CLARK of Missouri. Mr. President, I ask unanimous consent that the Senate resume the consideration of Senate bill 2229, the Panama Canal locks bill.

Mr. LA FOLLETTE. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Donahey	Lodge	Russell
Andrews	Downey	Logan	Schwellenbach
Ashurst	Ellender	Lundeen	Sheppard
Austin	Frazier	McCarran	Shipstead
Barbour	George	McKellar	Slattery
Barkley	Gibson	McNary	Smathers
Bilbo	Green	Maloney	Smith
Bone	Guffey	Mead	Stewart
Borah	Gurney	Miller	Taft
Bulow	Hale	Minton	Thomas, Okla.
Burke	Harrison	Murray	Thomas, Utah
Byrd	Hatch	Neely	Townsend
Byrnes	Hayden	Norris	Truman
Capper	Herring	Nye	Tydings
Caraway	Holman	O'Mahoney	Vandenberg
Chavez	Hughes	Overton	Van Nuys
Clark, Idaho	Johnson, Calif.	Pepper	Wagner
Clark, Mo.	Johnson, Colo.	Pittman	Walsh
Connally	King	Radcliffe	Wheeler
Danaher	La Follette	Reed	White
Davis	Lee	Reynolds	Wiley

Mr. MINTON. I announce that the Senator from Virginia [Mr. GLASS] is detained from the Senate because of illness.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Iowa [Mr. GILLETTE], the Senator from Alabama [Mr. HILL], the Senator from West Virginia [Mr. HOLT], the Senator from Illinois [Mr. LUCAS], and the Senator from Wyoming [Mr. SCHWARTZ] are detained on important public business.

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

Mr. CLARK of Missouri. I renew my request for unanimous consent that the Senate resume the consideration of Senate bill 2229.

There being no objection, the Senate resumed the consideration of the bill (S. 2229) authorizing and providing for the construction of additional facilities on the Canal Zone for the purposes of more adequately providing for the defense of the Panama Canal and for increasing its capacity for the further needs of interoceanic shipping.

Mr. CLARK of Missouri. Mr. President, I desire to make a very simple statement. In the very brief explanation of this bill which I made on Monday last, I neglected to emphasize one fact as affording an additional reason for the construction of the proposed locks in the Panama Canal.

The capacity of the present locks has almost been reached—in fact, almost exceeded—by the size of the vessels which can be passed through the Panama Canal locks now existing. A couple of years ago, when the fleet went through the Panama Canal, the superstructure of the *Saratoga* knocked down an iron fence on the top of the Gatun Locks. The maximum capacity of the existing locks has already been reached both as to naval vessels and commercial vessels. The new locks to be constructed under the pending measure would be sufficiently large to afford passage to the largest naval vessels now in the contemplation of naval architects and to the largest commercial vessels that will probably be constructed in many years. That is an additional reason for the passage of the measure at this time.

Mr. LA FOLLETTE. Mr. President, I am not a member of the committee from which this bill was reported, and I have had no opportunity to consider the measure at all. As a matter of fact, it was only brought to my attention this morning as I was coming to the Chamber that the representative of the employees of the Canal, Mr. Hushing, is very much opposed to the broad powers which are given to the Governor of the Panama Canal with regard to the fixing of compensation and the making of contracts for carrying out the construction works which are provided for by this measure.

It goes without saying, therefore, that I have had no opportunity to prepare any amendments or to offer any specific suggestions relative to it, but in fairness to the employees I ask unanimous consent that the clerk may read from the desk a statement which Mr. Hushing handed to me as I was on my way to the Chamber.

Mr. CLARK of Missouri. Mr. President, of course I am not going to object to the reading of the statement, but I can say to the Senator from Wisconsin that I am certain that Mr. Hushing himself knew nothing more about this matter than did the Senator from Wisconsin or I until this morning. He told me himself about 11 o'clock that somebody in the Panama Canal Zone had suggested that there might be a question and that he himself had not been familiar with it, but that he was sending a letter to me, which I have not as yet received.

I have no objection to the reading of the letter, but it seems to me to come very belatedly when this bill has been made the unfinished business, has been on the calendar for some time, and had been before the committee of the Senate since the President's message last January. I have no objection, of course, to the reading of the letter.

Mr. LA FOLLETTE. Mr. President, this perhaps should be said: I may be in error, but, as I understand, the Governor of the Panama Canal declined to authorize a representative of the employees to come to the United States at this session of Congress, as had been the practice in the past. They may be guilty of resting on their rights in the matter; but the fact should be taken into consideration that the Panama Canal is a long way from Washington and that Mr. Hushing, who is also a legislative representative for the American Federation of Labor, has his hands pretty full in looking after matters which the federation considers to be important.

I am somewhat familiar with the situation that existed so far as the P. W. A. projects in the Canal Zone are concerned, because I had the honor and the privilege of offering on the floor of the Senate the amendment to title II of the Industrial Recovery Act which included the Panama Canal Zone and permitted projects in that zone to be considered for allocations and for carrying on construction work. I repeat, however, that I am not familiar with this particular measure and am not prepared to offer any specific amendment to it, because I learned of the matter only 5 or 10 minutes ago. In fairness to the employees of the Canal Zone, who are so far away from Washington, I think the statement of their designated representative here should be read to the Senate, in order that the Senate may know their views.

Mr. CLARK of Missouri. I certainly have no objection to that.

The VICE PRESIDENT. Without objection, the statement will be read.

The legislative clerk read as follows:

STATEMENT BY W. C. HUSHING IN BEHALF OF AMERICAN FEDERATION OF LABOR ON PANAMA CANAL BILL, S. 2229

By Executive order, the Governor and several of the department heads of the Canal must be Army or Navy officers.

The Canal is approximately 2,500 miles from New York City and the Governor and his department heads have almost unlimited power. They resent laws passed by Congress limiting their authority regarding wages and hours of labor.

The bill under consideration, on page 2, will permit them to disregard all laws covering such matters and hire anyone, whether citizen or alien. Being so far away from authority in a spot only 10 miles wide and 47 miles long, isolated between the two oceans and by impassable jungle—the only outlet being by air or water ships—the Canal and Panama Railroad officials are little kings and have abused their authority.

The Governor in past years has permitted the representative of the employees of the Canal and Panama Railroad to come to the United States, providing he and those he represented agreed to present to Congress only such matters as were approved by the Governor. This year the Governor would not permit the representative to come at all, and, as the Canal and Panama Railroad employees are affiliated to the American Federation of Labor through their central labor union, which is composed of 35 local unions, President Green designated the undersigned to represent them.

On May 29, when this bill was first considered by the Senate, the employees were negotiating with the Governor about the clause in the bill which permits him to hire, fire, and set wages and hours without regard to any laws, and such haste under such circumstances appears most suspicious.

The policy of Canal and Panama Railroad officials has been to employ as many alien Negro West Indians as possible. There are 3,000 citizens and 10,000 of these aliens employed on the zone at present.

By Executive order, these aliens cannot be paid over 40 cents per hour, or $80 monthly, but their average pay is only 25 cents per

hour. They are employed because they are supposed to be cheaper than American-citizen labor, but this was disproven in 1935 by an official investigation by the Interior Department, as the N. R. A. had allotted about $10,000,000 to the Army and Navy for construction work under P. W. A.

Some alien contractors secured a portion of the work and employed only alien labor, so that under these contracts no American citizen benefited. The American contractors did likewise. So many complaints were made that Secretary Ickes sent two investigators to the zone by plane—Messrs. Joyce and Wire—and they found about 35 violations of different rules and regulations, and the Assistant P. W. A. Administrator took the question up in part with the Secretary of War, as follows:

MARCH 27, 1935.

The honorable the SECRETARY OF WAR.

MY DEAR MR. SECRETARY: The Division of Investigations has recently made a complete inspection and labor survey of all projects in the Canal Zone financed with P. W. A. funds. The majority of the reports of the special agents indicate a satisfactory condition in all respects except one. It was noticed that contractors were employing native artisans at the rate of 50 cents per hour, whereas these men are doing work which is classified as skilled under the original instructions.

On December 8, 1933, Major General McKinley dispatched the attached radiogram to the Canal Zone, which was to establish wage rates. There are three classifications set out therein: (a) Skilled labor at $1.20 per hour, (b) semiskilled labor at 50 cents per hour, and (c) common labor at 30 cents per hour. It is the opinion of this office after several conferences on this matter that it would be unfair to require contractors to abide by the $1.20 rate for native artisans, in view of the fact that our investigators state that the normal productivity of these men is not more than 33 percent of that of a skilled American workman.

I would suggest that General McKinley's radiogram mentioned above be amended to read in paragraph (b) to include the words "native artisan" in the 50-cent bracket.

Sincerely yours,

PHILIP B. FLEMING,
Acting Deputy Administrator.

These aliens are employed as clerks, timekeepers, section men, railroad firemen and brakemen, baggage masters, policemen, watchmen, and all the building and mechanical trades.

These officials in the bill under consideration are attempting to enable themselves to extend this system and further add to the alien Negro problem they have already created on the Canal Zone. They wish to do the work which will be authorized in this bill with these aliens at low wages and long hours.

We have about 12,000,000 unemployed in the United States at present, and no one in Congress should be willing to approve a bill which will deny a portion of that 12,000,000 opportunity to do part of the work which will be provided by this bill.

The 1932 and 1936 platforms both carried a plank providing for the elimination of aliens as employees of the United States Government on the zone.

The sons of Americans who live on the zone cannot learn building trades, as they cannot be apprenticed to these alien Negroes. Canal officials are considering apprenticing young alien Negroes in these trades, however, and wish to make all these aliens citizens, but this would require revision of the immigration laws.

The bill should be amended to provide:

(1) For employment of American citizens only.

(2) For application of the 8-hour law and the Thomas amendment to the Independent Offices Appropriation Act of 1934.

(3) For payment of not less than the rates now paid by the Canal to employees on the gold roll.

Mr. McCARRAN. Mr. President, I send to the desk three amendments, which I offer in order, and ask that they be read by the clerk.

The VICE PRESIDENT. The first amendment offered by the Senator from Nevada will be stated.

The LEGISLATIVE CLERK. On page 2, line 10, after the word "necessary", it is proposed to insert a colon and the following:

Provided, That none of the funds herein authorized may be used for the purpose of paying the salary or wages of any alien directly or through any contractor or subcontractor indirectly.

Mr. McCARRAN. Mr. President, I had hoped that the Senator in charge of the bill would see fit to accept that amendment, because it provides, as I think should be agreed to here, that no Federal money appropriated from the funds of the taxpayers shall be paid to aliens directly, nor to them indirectly through any contractor or subcontractor. That is the object and aim and language of the amendment; and I ask the Senator from Missouri if he will not agree to it.

Mr. CLARK of Missouri. Mr. President, the Senator from Missouri certainly will not agree to any such amendment as that.

Let me say to the Senator from Nevada that this proposal was never even suggested until about 11 o'clock this morning. This measure was included in the President's original message on the subject of preparedness. It was included in the discussion of the question of necessary national defense by the Secretary of War and the Chief of Staff before the Military Affairs Committee, which was made public throughout the United States. It was included in a document which was sent to the President of the Senate and referred to the Interoceanic Canals Committee as early as about the 1st of February. It was included in a document which was sent to the Speaker of the House and referred in that body to the Committee on Merchant Marine and Fisheries as early as about the 1st of February. Not until after 10 o'clock this morning did Mr. Hushing even pretend to have heard of the matter himself, although he knew this bill had been pending before the Committee on Interoceanic Canals, and he knew when it was reported and put on the calendar.

Mr. President, what this amendment represents is simply an attempt to lug into the discussion of this bill an entirely separate question which has been a matter of dispute between the Canal authorities and certain employees of the Canal for a great many years. The Canal authorities assert that they could not possibly have constructed the Panama Canal originally without the employment of a certain amount of alien labor, to wit, men who were imported for the purpose of doing the heavy work on the Canal which Americans were unable or unwilling to do.

Mr. McNARY. Mr. President——

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

Mr. CLARK of Missouri. In just a moment. The Canal authorities still maintain that they cannot operate the Panama Canal without the employment of a certain amount of such labor.

Mr. President, that presents a question which is a proper question for the consideration of the Congress, but it is a question which has nothing to do with the authorization of the construction of these vitally necessary locks and with giving the Canal Zone authorities an opportunity to carry out the purposes of the act.

I am glad now to yield to the Senator from Kentucky.

Mr. LOGAN. Mr. President, the Senator has very well answered the question before I ask it; but it is true, as I understand, that the aliens there are persons who have been living there since the United States acquired that strip of land.

As I recall the testimony before the committee, it would be impossible to do the work contemplated if this amendment should be agreed to because it is not possible to take men from the United States into that climate to do heavy work—hard work. Nor would they go for the wages which are paid. So it seems to me that if the amendment should be agreed to, and if the statements made by the Army representatives who have appeared before the Military Affairs Committee have been true, it would be just as well not to pass the bill if the amendment were added to it.

Mr. CLARK of Missouri. I think undoubtedly that is true. Let me say further, in answer to the Senator from Kentucky and the Senator from Nevada, that this matter has just been presented, within the hour, after the bill had been made the unfinished business. I would certainly not feel justified in accepting such an amendment. But the bill probably will not be before the House for consideration for some little time. Mr. Hushing and his associates will have ample opportunity, undoubtedly, to present the matter in the House. If the amendments should be inserted in the House the Senate would have further opportunity to consider them, either by concurring in the House amendments or by sending the bill to conference. On the other hand, if we now adopt amendments which have never been considered until this moment, about which no Member of this body had knowledge until this morning, we preclude ourselves from any opportunity of considering them.

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

Mr. CLARK of Missouri. I yield.

Mr. BARKLEY. If I understand the situation in the Panama Canal Zone, there are not now available American laborers to do this work, so that they would have to be taken from the United States to the Canal Zone. Is that a fact?

Mr. CLARK of Missouri. Not only is that true, but it has always been the testimony of the Canal authorities and the War Department authorities that the work is of a class which American labor cannot be induced to do; that American labor is neither willing nor able to perform that sort of work in the Tropics. I should say, in all fairness, that that is disputed by some of these organizations; but that has been the testimony.

Mr. BARKLEY. The question I ask is, even if Americans are willing to do the work, they are not on the Canal Zone now available to do it?

Mr. CLARK of Missouri. That is entirely true.

Mr. BARKLEY. So that if they were willing to do it, they would have to be taken from the United States into the Tropics and, of course, used for this heavy work, which, I have understood, when the Canal was being built originally, had to be performed by men who were inured to the climate; and the same situation exists now, I assume. So that if there is no American labor in the Canal Zone now available for this sort of work, and we had to take people from the United States to the Canal Zone, how long would it take them to become so acclimated that they would be enabled to perform that character of work?

Mr. CLARK of Missouri. We not only would have to take them down there but we would have to make arrangements, which are not presently made, to house them. In other words, it would certainly delay the initiation of the construction work for a very material period.

Mr. BARKLEY. If I understand the situation in the Canal Zone, all the Americans there are either employed on the Canal in some capacity or are in private business; there is no large amount of unemployment among Americans in the Canal Zone.

Mr. CLARK of Missouri. There is no private business, even, in the Canal Zone. Everyone who lives in the Canal Zone lives in a house owned by the United States Government, and the only private businesses which are permitted in the Canal Zone are a few oil stations, for convenience in the refueling of ships.

Mr. BARKLEY. There are other Americans, who live in Panama City, who carry on private business; but I do not think they live in the Canal Zone itself.

Mr. CLARK of Missouri. That is true.

Mr. BARKLEY. Certainly not in Government houses.

Mr. CLARK of Missouri. Does the Senator from Oregon desire to interrupt?

Mr. McNARY. The Senator having the bill in charge makes a statement which is wholly in conflict with the rule, that this measure would not be the proper place for the insertion of an amendment which would involve the question of the wage scale. The amendment could not be presented in connection with an appropriation bill; that would be a violation of the rule. If in the work contemplated we are to protect American labor as against foreign competitive labor, it must be done in connection with the bill before us, or it will not be done at all. The Senator argues that we should not do it in connection with the pending bill, which is only an authorization bill, but that we should wait for some other bill.

Mr. CLARK of Missouri. I made no such argument at all.

Mr. McNARY. The Senator said it should come in connection with some other bill.

Mr. CLARK of Missouri. The Senator completely misunderstood what I said, because I made no such argument as that he has charged to me.

Mr. McNARY. Then what is the objection to the amendment?

Mr. CLARK of Missouri. Because it is a matter which has not been considered by any member of the Senate, and I would much prefer to see the bill defeated than to see a number of amendments attached to it which had not been considered by anyone, even by Mr. Hushing, who proposed the amendments, until this morning.

Mr. McNARY. Mr. President, anyone who has traveled through the Canal going from east to west, as frequently I have done, would be shocked at the number of aliens, from every nation in the world, who are receiving Federal money out of our Treasury for work on which American citizens are denied employment. I am not interested in what the Navy or Army representatives say; I know the practical situation, that there is work in the Canal Zone, in a climate which is agreeable to American labor, which should be performed by American citizens at American wages. The letter submitted a moment ago by the Senator from Wisconsin, from one representing the American Federation of Labor, shows clearly that the average wage in the zone is 25 cents an hour, in what I regard as a delightful climate. This measure relates to a great American project, involving commerce and national defense. If there is any character of government project in the world on which the American wage scale should be paid, it is a project which involves the national defense.

I am really surprised that the able Senator from Missouri would not accept the amendment and let it go to conference. It is not a question which requires study. Experts are not needed to testify in regard to the matter. A mere statement of the question is sufficient: Do we want to pay the American wage upon American construction in American territory, or do we want to hire aliens who are willing to work for less than a living wage in that country, and pay their wages out of the Treasury of the United States?

What expert do we need to testify in a matter of that kind? What hearings are necessary? Is it not a matter which is self-evident? If there is any bill in which such amendment should be incorporated, this is the only bill which would permit that sort of amendment under the rule. I repeat, the contention that this is not the proper measure for the insertion of the amendment is not a defense. The fact that no hearings could have been had can be urged against the amendment. I appeal to the Senator to accept the amendment, let the House act on it, and then, if necessary, take it to conference.

Mr. CLARK of Missouri. This is not a question of sending the bill to conference. The bill has not been acted on in the Senate.

Mr. McNARY. Let the question be submitted to the House, and if it comes back, submit it to a conference.

Mr. CLARK of Missouri. The Senator from Oregon has been in the Senate for a long time. He says it shocks the conscience of anyone who goes through the Panama Canal—and I know he is very familiar with the conditions—to see aliens working there. If he were so shocked, why has he never introduced a measure in this body to prohibit the employment of those aliens? Why has he sat until this bill is reported and made the unfinished business—a bill involving the national defense—and then rise and announce that he has been shocked in passing through the Panama Canal by seeing some aliens, who built the Canal themselves, employed in the Panama Canal Zone?

Mr. President, there is a good deal of "bunk" and demagoguery in a question such as this. It is very easy to undertake to make a play at the eleventh hour and fifty-ninth minute for an amendment which the Senate has not considered and no one else has considered, involving an entirely distinct question which has nothing to do with the measure before us—a bill which ought to be passed and ought to be passed as soon as possible.

As I have said, so far as I am concerned, if the Senate desires to have considered in connection with this measure the question as to all those alien employees who the Canal authorities say are necessary for the operation of the Canal and who, they say, were absolutely and imperatively necessary to the actual construction of the Canal, then the bill should be recommitted to the Committee on Interoceanic Canals with instructions to consider that question in connection with the bill. I do not think any ill-considered amendment should be injected into the measure at this time.

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

Mr. CLARK of Missouri. I yield to the Senator from Connecticut.

Mr. DANAHER. I invite the attention of the Senator from Missouri to page 2, lines 10 and 11, with reference to compensation. Does it not appear, from a reading of that language, that there is no limitation upon the Governor paying $25 an hour if he chooses so to do?

Mr. CLARK of Missouri. Of course, that is correct, and, of course, it is also correct that we have passed many construction bills through Congress authorizing various administrators to fix rates and make contracts, in essence, without reference to the civil service, and I dare say that this is the first one of such measures which have been before the Congress in connection with which such a provision was actually in the interest of economy.

As I stated a while ago, there is a good deal of work in connection with the construction of great projects of this sort, in a tropical country, for which Americans are not suited or able or willing to perform. To undertake to write into the proposed law a provision for the maintenance of an American wage scale in a tropical country, in which much of the work must necessarily be done by a lower class of labor, is simply to undertake to make the cost of this necessary construction so staggering that no Member of the Congress would be justified in voting for it.

Mr. DANAHER. Mr. President, will the Senator yield again?

Mr. CLARK of Missouri. I yield further.

Mr. DANAHER. Does it not appear to the Senator, then, that if we are to give untrammeled discretion to the Governor of the Panama Canal Zone, we should fix some standards with reference to the expenditure of Federal moneys by way of compensation?

Mr. CLARK of Missouri. Mr. President, I undertake to say that if the Congress, at the time of the original construction of the Panama Canal, a gigantic task, of which every American is very proud, had undertaken to restrict General Goethals in his employment of the labor at hand, the labor it might have been possible for him to use, and to restrict him as to the wages to be paid, the Canal never would have been constructed.

Mr. McCARRAN rose.

Mr. CLARK of Missouri. Mr. President, I yield to the Senator from Nevada.

Mr. McCARRAN. I wish to have the floor when the Senator shall have concluded.

Mr. CHAVEZ. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Missouri yield to the Senator from New Mexico?

Mr. CLARK of Missouri. I yield.

Mr. CHAVEZ. Mr. President, I wish to ask the Senator from Missouri a question which is foreign to the discussion now taking place. I am obliged to leave the Senate Chamber for a few minutes, and therefore I should like to ask the Senator about a particular matter contained in the report of the committee. On page 4 of the report is a small item with reference to the Tehuantepec Canal. The report states that there are no existing treaties permitting the construction of that particular project. Can the Senator from Missouri tell us whether or not any efforts have been made by authorized officials of the United States Government to enter into any kind of a treaty with the Republic of Mexico for the purpose of constructing the Tehuantepec Canal?

Mr. CLARK of Missouri. Mr. President, so far as I know, there have not been. In fact, I am quite certain that there have not been any. The paragraph to which the Senator referred was quoted in the Senate report from the House report, because the House committee has held hearings on that subject. However, it was the view of the Senate committee, and I think of the House committee as well, that the building of the new locks in the Panama Canal was not in opposition to the construction of any other canal the Government might later see fit to construct, but the building of the new locks was necessary for the purpose of implementing and facilitating the passage through the Panama Canal of the large new vessels.

Mr. CHAVEZ. I may state to the Senator from Missouri that I am in accord with the bill; I am for it; but when we are discussing the Nicaraguan Canal and any other canal south of the United States it seems to me that the possibilities of the Tehuantepec Canal should not be neglected. The Isthmus of Tehuantepec is a comparatively short distance away from United States naval stations on the Pacific and the Atlantic. It is easily accessible. It provides a short route. It seems to me the American authorities should do something to bring about an understanding with the Republic of Mexico with reference to the construction of a canal at that point.

Mr. CLARK of Missouri. The bill was reported from the Interoceanic Canals Committee without any prejudice whatever to the construction of any other isthmian canal which might later be considered necessary or desirable, but we felt that in view of the much greater speed with which the additional Panama Canal locks could be constructed, in view of the actual physical necessities which have already developed and are rapidly developing because of the construction of larger ships, and in view of the importance of protecting the investment we already have in Panama, the building of additional locks in the Panama Canal should be proceeded with at this time.

Mr. CHAVEZ. I believe the bill is entirely proper. I think that what it provides should be done in view of the investment we have made in Panama, and in view of the actual facts; nevertheless, I feel that if we are to have some other canal, the Tehauntepec route, which is only a comparatively few miles away either from San Diego or stations on the Gulf of Mexico, should be considered, on account of its proximity to the confines of the United States.

Mr. CLARK of Missouri. Mr. President, I express no opinion whatever about that, because I am not familiar with it.

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

Mr. CLARK of Missouri. I yield.

Mr. TAFT. If I correctly understand, the present Canal locks are not large enough to accommodate the battleships which have now been authorized?

Mr. CLARK of Missouri. Before the Senator from Ohio came into the Chamber I stated what I understood to be the fact, that a couple of years ago, when the fleet went through the Panama Canal, the superstructure of the aircraft carrier *Saratoga* knocked down an iron fence on the top of the Gatun locks. The information which I have received on that subject, and the discussion which took place before the House committee, would indicate that the vessels which will be constructed in the comparatively near future may have great difficulty in passing through the locks.

Mr. TAFT. I understand from the testimony before the House committee that our ships now building would make a tighter fit, but there is no statement that any ships now building could not go through the present locks of the Panama Canal.

Mr. CLARK of Missouri. Mr. President, the statement has repeatedly been made, which is a matter of common sense, that in view of the rate of progression in the increase of the size of ships, the time will very soon be reached when the present lock facilities in the Panama Canal will be inadequate.

Mr. TAFT. It seems to me to be doubtful whether we are going to build any larger ships than have already been authorized. They seem to be the maximum.

Mr. CLARK of Missouri. The same thing seemed to be true years ago, when smaller ships were built. When I was a little boy it seemed that the superships which were then being built would never be exceeded in size. Nevertheless, we go on from time to time building larger ships, and even this year naval experts appearing before the committees of the Congress have predicted larger and larger ships than have yet been contemplated.

Mr. TAFT. Is the real purpose of building additional Canal locks to have an extra lock in case the present ones are destroyed?

Mr. CLARK of Missouri. That is unquestionably true, Mr. President. It is also the purpose, in building additional locks, to build larger locks, locks which will be adequate

for taking care of either naval or commercial vessels which may be constructed in the comparatively near future.

Mr. TAFT. I do not quite understand, however, why, if one set of locks could be destroyed by air attack, it would not be possible that another set of locks 5 miles away could also be destroyed by air from the same air base, if it were near enough to the Canal so that airships from it could reach the Canal.

Mr. CLARK of Missouri. It might be entirely true that if one set of locks in the Panama Canal were destroyed another set of locks in the Nicaragua Canal, 400 miles away, might also be destroyed.

Mr. TAFT. Not from the same air base.

Mr. CLARK of Missouri. It is entirely probable, Mr. President, and it has been so testified by our leading air experts.

Mr. TAFT. I have been rather surprised in reading the House hearings that the Navy does not seem to be tremendously interested in where the canal should be built, or in urging a site. The short report of the committee says the Navy thinks it desirable to build an extra canal. However, the report contains simply one letter from Admiral Leahy on the subject. The matter did not go to the Naval Affairs Committee, did it?

Mr. CLARK of Missouri. No; it did not. The Committee on Interoceanic Canals is the committee which considered it in the Senate.

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

Mr. CLARK of Missouri. I yield.

Mr. MINTON. Is it not true that the experts take the view that there is not so much danger of the destruction of the Canal by an attack from the air; they think they can handle that situation; but danger lies in that some vessel belonging to a power which is unfriendly to the United States, and in trouble with the United States, in passing through the Canal might drop a bomb in the lock and blow it up, sabotage it, whereas if we had an auxiliary canal, of course only naval vessels would be passed through it, and not commercial vessels, and therefore the authorities would not have to be on the lookout for the laying of an "egg" in the Canal, the dropping of a bomb which might destroy it.

Mr. CLARK of Missouri. That is true.

Mr. President, I will say that extraordinary efforts have already been made by the proper officials to afford the fullest protection possible against sabotage to the existing locks. That is the great fear and the great danger to the Panama Canal, and therefore necessarily to our whole national defense, that there might be sabotage.

It is contemplated under this bill that a new set of locks shall be constructed at a distance of several miles from existing locks, which in any time of stress or of prospective emergency would be reserved exclusively for the use of our naval vessels and other public vessels of the United States, and thus reduce to the absolute minimum any danger of sabotage.

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

Mr. CLARK of Missouri. I yield.

Mr. CONNALLY. The Senator means that on the Canal, farther up somewhere, there would be another set of locks?

Mr. CLARK of Missouri. No; I meant to say there would be an alternative set of locks, roughly, parallel with the present set of locks, removed to the distance of several miles, which would be available through the same canal by a system of bypasses. Our engineers have made a survey, and, by the way, have worked on it for several years.

Mr. CONNALLY. Does not the Senator believe that ultimately we ought to build the Nicaragua Canal?

Mr. CLARK of Missouri. Mr. President, it is entirely possible that that may be necessary at some future time. The report of the committee was specifically without prejudice to the Nicaragua Canal. It is to be remembered, however, that at the present time the Nicaragua Canal would, in all probability, cost, at present estimates, one and one-half billion dollars; and if such an amendment as that proposed by the Senator from Nevada were adopted, it would probably cost three or four billion dollars. The Nicaragua Canal would have a length of about 140 miles, as against about 50 miles for the Panama Canal. I think the engineering problems in connection with the Nicaragua Canal remain to be worked out, whereas those in connection with the Panama Canal have already been worked out.

Mr. CONNALLY. The Nicaragua Canal would be a sea-level canal, would it not?

Mr. CLARK of Missouri. It would not be a sea-level canal, I will say to the Senator from Texas, but it could probably be constructed with only two locks, which would be tidal locks. The Nicaragua Canal route is some 60 feet above sea level. So it would not be a sea-level canal, but probably could be constructed with only two sets of locks, one at each end, which would be tidal locks, due to the difference in tides in the Pacific and the Atlantic Oceans.

Mr. CONNALLY. It seems to me that with the necessity for maintaining a fleet in the Atlantic and another fleet in the Pacific we should either have two great fleets or else have adequate transit facilities from one ocean to the other, and I personally think we ought to have two canals.

Mr. CLARK of Missouri. Mr. President, this bill, as I say, has been reported without antagonism to the Nicaragua route, because we felt that, irrespective of anything else, the passage of the bill is necessary at the present time.

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

Mr. CLARK of Missouri. I yield.

Mr. BARKLEY. Assuming that the Nicaragua Canal is needed and will be built, we are still going to use the Panama Canal, and we ought to increase its facilities sufficiently to make it available for all sorts of ocean transportation.

The Senator from Missouri commented a while ago on the increase in the size of our naval vessels. Anyone who has been through the Panama Canal on a ship wonders why it was not made bigger to begin with. I went through there once on a commercial ship, and there was not more than 6 inches between either side of the ship and the sides of the canal. We are bound to know that in the future ships are going to be larger and larger, whether they are war vessels or whether they are commercial ships, and it seems to me that, regardless of whether we ever build the Nicaragua Canal or any other canal—but assuming that we will—yet we ought to make the Panama Canal, as long as we have it, as useful as possible, and also provide against contingencies that might arise in the future which would militate against its use at all, either for military or for commercial purposes.

Mr. CLARK of Missouri. Mr. President, as I stated a while ago, I think the additional facilities provided for by the bill are necessary merely as a matter of protecting our own commercial investment in the Panama Canal, if nothing else.

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

Mr. CLARK of Missouri. I yield.

Mr. NORRIS. I should like to invite the Senator's attention to the pending amendment, offered by the Senator from Nevada [Mr. McCARRAN]. We shall have to dispose of the amendment before we decide whether or not we shall pass the bill.

I should be very much impressed by the amendment offered by the Senator from Nevada if I thought it could in all reasonableness be applied to the bill. I am not a competent witness. I do not claim to have knowledge, except as an ordinary observer watching the Canal when it was being constructed and passing through the Canal. I have in mind the definite idea that when we constructed the Panama Canal we employed a great amount of the kind of labor which the amendment would prohibit. We necessarily did so. As I understand, the climatic conditions are such that unless an American were acclimated to the climate it would be impossible for him to be a laborer on the Canal.

I favor the principle of the amendment. If I am wrong, those who know more about the subject than I do will certainly be able to give us the correct information. My present understanding is that it would be a practical impossibility to avoid employing many native laborers who are acclimated, and who live in the climate which prevails at the Panama Canal.

There is one other thing included in the amendment about which I wish to inquire. I would prefer—I think we all would—that no aliens be employed in the proposed construction. When we passed the Panama Canal Act I do not believe we included such a provision in it. If we are to be arbitrary and say, as I understand the amendment provides, that no one except citizens of the United States shall be employed, we might prevent the employment of some experts who are foreigners, and who could not be obtained in this country. I have in mind some other Government operations in which a few foreigners have been employed. They were particularly qualified to fill certain technical positions. I should like to exclude aliens. I think the pending amendment would do so.

If the Senator from Nevada or any other Senator can satisfy my mind upon the two questions I have propounded, I should like to have the information, because I believe in the fundamental principle involved in the Senator's amendment, and I should like to see it put into the law if it is applicable. However, it is useless for us to close our eyes to the fact—if it be a fact—that American labor, especially common labor, could not be employed to do much of the work.

Mr. CLARK of Missouri. Mr. President, for the first time I have had the opportunity of looking at the amendment. It reads:

Provided, That none of the funds herein authorized may be used for the purpose of paying the salary or wages of any alien directly or through any contractor or subcontractor indirectly.

I do not believe a single Member of this body or anyone else who has given study to the matter and who has listened to any of the suggestions or advice of the men who are most familiar both with the construction of the Panama Canal and its maintenance since that time would fail to be convinced that the adoption of the amendment would absolutely prevent the construction of the additional locks in Panama, or at least would delay their construction for a very considerable period of time until American labor could be assembled to go down to Panama and become acclimated, and until quarters could be provided in the Panama Canal Zone for maintaining them.

I think everyone who is familiar with the history of the construction of the Panama Canal will agree that the original construction of the Canal would have been absolutely impossible under any such amendment as the one before us; although, of course, we all recognize that health conditions in the Panama Canal Zone have vastly improved since the American occupation of the Panama Canal Zone. I think it is the unanimous opinion of the officials who are most familiar with the problem that to say that only native American labor may be employed in the Panama Canal Zone, or in the possible Nicaragua canal zone, or in any other tropical country, is simply to make impossible the construction of such a project.

Some of the so-called alien laborers on the Panama Canal are the sons of the men who constructed the Panama Canal. Some of them are the men who themselves constructed the Panama Canal. They are not citizens, nor are their sons, because they are prohibited by law from becoming citizens. However, they have been in the Panama Canal Zone and have done the heavy work of the Panama Canal for all these years; and either it would be impossible to construct the locks or great delay would occur in the construction by reason of the importation from the United States of labor which is willing or able to do the heavy work involved in constructing the locks, and by reason of the necessity of building quarters for the laborers and waiting for their acclimatization so that they would not all die like flies.

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

Mr. CLARK of Missouri. I yield to the Senator from Connecticut.

Mr. DANAHER. I should like to ask the Senator from Missouri a question. Was not the Panama Canal built by the Army engineers?

Mr. CLARK of Missouri. General Goethals finally succeeded to the command of that project. Many American Army engineers, civilian engineers, and Americans, who were not engineers at all, were engaged in that construction, and many of them died like flies. A short time ago I introduced and reported a bill affording some consideration in the matter of retirement for Americans who were engaged in that construction.

Thus, Mr. President, the universal testimony in connection with the construction of the Canal, the testimony of General Goethals in his various reports, the testimony of the Army engineers, and of everyone else, is that the Canal never could have been constructed without alien labor, which was imported. Most of the labor was not born in Panama or the vicinity of Panama. It was imported from Jamaica and some of the other British islands for the purpose of doing the work which Americans could not or would not do.

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

Mr. CLARK of Missouri. I yield.

Mr. BARKLEY. Has the Senator any information as to the number of men who would be employed in the construction of the proposed locks?

Mr. CLARK of Missouri. Mr. President, I do not believe that information appears in the report of the Secretary of War.

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

Mr. CLARK of Missouri. I yield.

Mr. HAYDEN. At the time of maximum employment during the period of construction under General Goethals, 40,000 men were employed in the Canal Zone. The work was divided into three divisions, the Atlantic, the Central, and the Pacific divisions. As the Senator will remember, one division was under the Army, one under naval engineers, and one under civilian engineers. The maximum number of men employed was about 40,000.

Mr. BARKLEY. How long a time would be required to complete the locks?

Mr. CLARK of Missouri. It is estimated that the work could be done in 7 years, provided the bill were passed in its present form, without the amendment suggested, and provided the present season could be utilized.

Mr. BARKLEY. I assume that the construction of a project of that size, covering a period of 7 years, would require several thousand men, at least at the period of maximum employment. Has the Senator any information in that connection?

Mr. CLARK of Missouri. I have not the figures on that subject; but unquestionably we may assume that in the heavy work of constructing the locks and the bypasses necessary to make the locks available, the labor of a large number of men would be involved. I will say to the Senator that it is contemplated that after the locks are constructed they can be operated with practically no increase in the present Canal personnel.

Mr. BARKLEY. I assume that the construction of the additional locks would not require as many men at any one time as did the original construction of the Canal.

Mr. CLARK of Missouri. That is unquestionably true.

Mr. HAYDEN. I am sure that is a safe assumption, particularly because of the technical improvements over the years in moving earth and rock.

Mr. BARKLEY. The amount of money proposed to be authorized for the locks is not far from the original cost of the Canal. The amount proposed to be authorized is $277,000,000. I think the Canal cost about $350,000,000.

Mr. CLARK of Missouri. Mr. President, the $277,000,000 estimated would, of course, be a very small portion of the cost of the Canal if the amendment of the Senator from Nevada were agreed to.

Mr. BARKLEY. Independently of that, what I am trying to ascertain is the number of men required to be sent to Panama from this country if a sufficient number are employed to do the work.

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

Mr. CLARK of Missouri. I yield to the Senator from Kansas.

Mr. REED. I wish to say to the Senator from Missouri that I agree with the statement he has made as to the inadvisability of hamstringing construction in a tropical country by what seems to be an impossible amendment to his bill. The Senator from Nebraska [Mr. NORRIS] stated my thoughts upon the subject. In a tropical country men engaged in hard labor must be acclimated before they can render any useful service. I expect to vote against the amendment.

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

Mr. CLARK of Missouri. I yield.

Mr. McNARY. For what reason does the Senator make that statement? My information is quite the contrary. I know from personal experience that many Americans have gone there when work was available, and have gotten along successfully. They did not need to be acclimated. The change in temperature is not such that men must adapt themselves beforehand. In my judgment, all that is necessary in this case is to give American labor an opportunity to work, and it will go there and perform the work. That is all we are asking.

Mr. REED. I take it that the Senator from Oregon disagrees with the views I have stated, but I still hold to those views, with all due respect to the Senator from Oregon. However, I desired to leave with the Senator from Missouri in charge of the bill a thought which I will now express. I am troubled, after the disposition of this amendment, with the wide open authority given to one man who may be Governor of the Panama Canal to spend $277,000,000 absolutely upon his own judgment, without any approval or check or rein on the part of anyone else. Because I am due to attend some important committee meetings this afternoon and possibly I might be absent when this question comes up, I appeal to the Senator from Missouri to give consideration to the latter part of his bill which begins on page 2, line 8, with the words:

For the purposes aforesaid, the Governor of the Panama Canal is authorized to employ such persons as he may deem necessary—

To that I have no objection—

and to fix their compensation without regard to any other law affecting such compensation.

I think in that respect there might fairly be a provision requiring approval by the Secretary of War or the Board of Engineers, and more especially——

Mr. CLARK of Missouri. Mr. President, I would have no objection to such an amendment as that. I will say to the Senator from Kansas that I certainly have as little disposition to grant any more authority to any Government official or bureau or set of bureaus as has any man in this body or any place else. I will say to the Senator from Kansas that I have no pride of authorship whatever in this bill, because I did not have anything to do with drafting it; it was drafted by the War Department and sent here, and I introduced it as it came here. It was the theory of the War Department and the theory of the committee in reporting the bill that in setting the pegs for a work of this magnitude it was necessary to give very considerable latitude to the responsible official who, of course, is a brigadier general of the Regular Army, operating under the direction of the Secretary of War in every particular, in making his plans and setting his pegs so as to facilitate this work as much as possible.

Mr. HAYDEN. Mr. President, if the Senator from Kansas will permit me, I can state that there is a very sound historic background for this language. We set out to build the Panama Canal under a commission—the Panama Canal Commission—located here in the United States, and from time to time different engineers were appointed to build the Canal. I talked with General Goethals himself in the midst of the construction in Panama, and complimented him upon his work. The general said, "It is not because I am a great engineer; there have been more able engineers engaged in the construction of the Panama Canal, better engineers than I am; but I have authority to act, which they did not have." The earlier engineers could hardly build a lean-to on a house on the Canal Zone without coming back to get authority from the Commission here in the United States. Conditions became so bad and the difficulties and delays so numerous that Theodore Roosevelt took charge, and said, "I will put somebody in charge there who can 'run the show,' and I will give him full authority." So he called in General Goethals, after eminent engineers, such as Mr. Stevens and others, had been hampered by restrictions, and he gave the general complete authority. General Goethals was the czar of the Canal Zone. He even regulated the private morals of the people. If they did not do right, they had to get off the Canal Zone. With such arbitrary authority, as it might be called, he constructed the Panama Canal, and it could not have been constructed in any other way.

Mr. REED. May I say to the Senator from Arizona that czars and dictators are perhaps less popular now than they were when the Panama Canal was originally built?

Mr. HAYDEN. Mr. President, in answer to the Senator's observation, let me say that the wisest thing that Woodrow Wilson did during the World War was to put one man in command of the American Expeditionary Forces. He told General Pershing, "You will 'run the show,' and if you cannot run it, I will get someone else who can; but so long as you are there you are going to be backed up." That is exactly what Theodore Roosevelt said to General Goethals, "This is 'your show'; take it, run it, and you will not be hampered or restricted." It is the only way that a work of such magnitude can be conducted at a great distance from the United States. We cannot have a commission or some other authority acting at this end by cable, imposing regulations and restrictions. That is the reason why we find this language in the bill.

Mr. REED. Mr. President, I wish to proceed to the clause to which I find the most objection. I refer to the clause that authorizes the Governor of the Panama Canal—

To authorize the making of any contracts, continuing or otherwise, in advance of actual appropriations, aggregating not more than the total cost authorized herein.

We are not in an emergency so far as the commercial use of the Panama Canal is concerned. The reports all show, including the report of the distinguished Senator from Missouri on behalf of his own committee, that up to 1960 or 1970 the capacity of the Canal would be adequate for commercial purposes.

Mr. CLARK of Missouri. That is correct.

Mr. REED. I think it would be more satisfactory if the bill should contain a provision requiring the approval of contracts by the War Department, either by the Secretary of War or by the Board of Engineers, because there is no emergency that requires immediate construction. In fact, this bill provides that of the total cost of $277,000,000 only $15,000,000 are to be authorized for making a start. So I appeal to the Senator from Missouri, whose bill I desire to support, and to whom I am going to offer my assistance in keeping it in the best shape that it can be kept—I appeal to the Senator from Missouri and his committee in these circumstances, there being no emergency to give consideration to the suggeston, not to grant to the Governor of the Panama Canal the unlimited authority that was given to the great genius who constructed the Canal. We might not get another great genius, and, after all, ordinary precaution in business and ordinary precaution in governmental affairs, I think, certainly call for some restriction upon the unlimited authority granted by this bill.

Mr. CLARK of Missouri. Mr. President, I will say to the Senator from Kansas that, so far as I am concerned—and I think in this matter I am authorized to speak for the committee—I have no objection whatever to an amendment requiring the contracts made by the Governor of the Panama Canal to be approved by the Secretary of War. I say very frankly that I am willing to accept such an amendment because I do not think it in any material particular would change the bill itself. We have no communication, for instance, as a Congress at the present time from the Governor of the Panama Canal except through the Secretary of War; everything that he does comes to us through the Secretary of War. The drafting of this bill was made in the War

Department on the recommendation of the Governor of the Panama Canal. The report on construction in the Canal comes to us under cover of a letter from the Secretary of War, and the report of the Governor of the Canal. Therefore, I say that I have no objection whatever to requiring the approval of the Secretary of War; but I repeat I do not think it means anything.

Mr. WHEELER. Mr. President——

Mr. CLARK of Missouri. I yield to the Senator from Montana if the Senator from Kansas has concluded.

Mr. REED. Mr. President, the Senator from Montana has agreed to let me conclude. I wish to thank the Senator from Missouri for his courtesy in permitting me to interrupt him.

Mr. CLARK of Missouri. I am glad to yield to the Senator from Kansas at any time on any measure.

Mr. REED. I desire to support the Senator in every way I can, but I think he ought to tie the authority for these tremendous expenditures up tighter than it is. He would make me much happier in supporting him if he would do that.

Mr. CLARK of Missouri. If the Senator from Kansas will draw such an amendment, so far as I am concerned, I will be glad to accept it.

I now yield to the Senator from Montana.

Mr. WHEELER. Mr. President, am I to understand that this bill came from the Commerce Committee?

Mr. CLARK of Missouri. It did not; it was considered and reported by the Committee on Interoceanic Canals, the committee specifically created by the Senate to have jurisdiction of such matters.

Mr. WHEELER. I must confess that I am perfectly amazed when I read the measure to find that the Senator from Missouri is advocating the passage of a bill giving such powers to any department as the pending bill gives to the Governor of the Panama Canal. I do not know of a piece of legislation we have passed, even in the palmy days of the present administration, that simply turned a matter over to one agency and said, "You can go ahead, spend $277,000,000, you can spend it in any way you want to spend it as you may deem necessary; you may fix the compensation of those you employ in any way you want to fix it, and you can authorize the making of any contracts that you want to make in any way, shape, or form that you want to make them." I am sure if any other proposal for legislation came before the Senate with such lax and loose provisions that the Senator from Missouri would be standing upon the floor of the Senate denouncing it in unmeasured terms, much better than I could do. The Senator from Missouri would be saying, "Think of it! You are giving to a Governor dictatorial powers." I agree that in this bill we are giving to the Governor of the Panama Canal dictatorial powers.

Mr. CLARK of Missouri. If my friend from Montana had been in the Chamber, he would have heard the fact impressed a number of times—not once but on at least half a dozen occasions—by the Senator from Arizona [Mr. HAYDEN], by the Senator from Kentucky [Mr. LOGAN], and by myself, that in the construction of a canal in a tropical country several thousand miles from home it is necessary to confer unusual powers; and we have pointed out that the original Panama Canal never would have been constructed except by the decision of the Congress to repose very extensive powers in General Goethals, and practically make him the dictator of that construction.

Mr. WHEELER. Mr. President, I cannot agree with either the Senator from Arizona, the Senator from Missouri, or the Senator from Kentucky that in order to build these locks it is necessary to do what is proposed.

Mr. CLARK of Missouri. I will say to the Senator that that is our misfortune.

Mr. WHEELER. When the original Panama Canal was built we were dealing with an entirely different situation; but, thank goodness, we have a more enlightened population in this country today, and Panama is a more enlightened country now than it was then. I cannot conceive of any reason in the world why we should say to the Governor of the Panama Canal, "You may employ thousands of men to build these extra locks and pay them any kind of wages you want to pay them. You may enter into any kind of contracts that you want to enter into." Knowing my good friend from Missouri as I do, I am perfectly amazed that he should stand on the floor of the Senate and say, "We want to give dictatorial power to some departmental head." The Senator wants to give those powers to the departmental head because he is living in Latin America, where there are dictators; but it seems to me that is quite a different problem. The Senator also wants to give the departmental head those powers because he is two or three thousand miles away from the United States. In my judgment, that is all the more reason why we should say that these contracts shall be approved before they become effective.

The Senator says the War Department drew up the legislation. That does not make the legislation any different than if Mr. Ickes had drawn it up, or if somebody else had drawn it up. Apparently the Senator takes the position that if somebody in the War Department draws up legislation it is all right, but if somebody in some other department draws it up it is all wrong. I cannot follow the Senator in that kind of legislation, because I think it is giving over dictatorial powers to one of the departments.

Mr. CLARK of Missouri. Mr. President, at the risk of fourth or fifth repetition I will say for the benefit of my friend from Montana, who has just arrived in the Chamber, what has been said here on several occasions before, both on Monday and today, that in the construction of a great works project in the Tropics a situation exists which is entirely different from anything that goes on in this country. I am as much opposed to dictatorial powers as anybody possibly can be. The Senator from Montana knows very well that I have no particular reverence for a bill drawn in the War Department, although I will say to the Senator from Montana that I certainly have as great respect for a bill drawn in the War Department as I have for a bill drawn at the whim of somebody at the Interstate Commerce Commission.

I am, of course, perfectly familiar with what the Senator from Montana is now doing. He is trying to get even for the fact that I opposed a couple of his bills last week; and that is perfectly all right. I take that in perfectly good part; but if the Senator from Montana had been here at the beginning of the session he would have heard it said several times, "On a project of this sort it is necessary to allow more discretion than on a project in the United States." Heaven knows that on projects in the United States we have certainly granted the widest and most discretionary powers to certain administrators, whose identity we did not even know, in offices which were not even created when we granted the extensive powers; and the Senator from Montana argued and voted for those bills.

Mr. WHEELER. The Senator said that if I had been here I would have heard his explanation, which he said he had made four or five times. Let me say for his particular benefit that the other day I did not have to explain merely four or five times the bill that I had but I had to explain it for the seventeenth or eighteenth time because the Senator from Missouri or some other Senator did not happen to be in the Chamber at the time I was explaining it.

Mr. CLARK of Missouri. I am glad to repeat my explanation when any Senator comes in.

Mr. CONNALLY rose.

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

Mr. CLARK of Missouri. I yield to the Senator from Oregon.

Mr. McNARY. I have been here since the roll call, and I have not yet heard any explanation why we should give to the Governor of the Panama Canal arbitrary power in doing this great work. I have heard the able Senator from Missouri say the matter has been explained, but I have not heard the explanation. I have heard it dogmatically stated, "This must be done," but I have heard no reason for it. I am anxiously waiting for someone to explain and give a reason for the wide latitude that is given in this particular matter.

Mr. CLARK of Missouri. I very much regret that my explanation has not satisfied the Senator from Oregon. I think possibly if he had listened a little more attentively, he might have heard something that would have satisfied him. I tried to yield to him a moment ago, because he had been asking me to yield, but he was engaged in a private conversation. After waiting for a few minutes I yielded to another Senator.

I now yield to the Senator from Texas, who was on his feet a moment ago.

Mr. CONNALLY. Mr. President, I do not care to have the Senator yield now. I was only going to aid the Senator as he tried to repel the assault of the Senator from Montana, who was complaining about this wide authority.

Mr. CLARK of Missouri. I am glad to have the aid of the Senator from Texas.

Mr. CONNALLY. To give political power, political control over political questions is one thing. To give somebody a job to go out and dig a ditch is quite another thing. All that the Senator is really doing is to say to the engineers, or whoever is going to do this work, "Go down there and dig this ditch." He is not telling them how much dirt they shall put in each shovel when they take it out. He is not going to try to control at what hour they shall eat, or at what hour they shall sleep; but he is telling them to go down and dig this canal. That is a wholly different proposition from the exercise of political power.

I quite agree with the Senator from Montana. I recall that the Senator from Missouri was recently associated with the Senator from Montana in a memorable fight in the Senate over the exercise of a vast political power; and I agree with both of them. I think there is no parallel between digging a ditch and reforming the political institutions of our country. When we build a battleship, I presume we do not tell the Navy how many steps there shall be from one deck to another, or what size the guns shall be, or how thick the armor plate shall be. We tell them to build a battleship. If they had to run back up here every time they drove a rivet and say, "Mr. Congressman, how shall we do this?" we should never have any battleships, and we should not have many ditches either.

Mr. CLARK of Missouri. I thank the Senator from Texas.

Mr. ADAMS. Mr. President——

Mr. CLARK of Missouri. I yield to the Senator from Colorado.

Mr. ADAMS. The Senator from Texas speaks about building a battleship. I will say to him that no battleship has ever been built without an authorization from the Committee on Appropriations. This measure provides that the appropriation for 1940 shall not exceed $15,000,000; but it provides that the Governor of the Panama Canal may make a contract for $277,000,000 without ever having the matter pass through the Committee on Appropriations. It is equivalent to making an immediate appropriation of $277,000,000 to be expended by the Governor of the Panama Canal without ever having gone through the ordinary processes of appropriation.

Mr. CONNALLY. Mr. President——

Mr. CLARK of Missouri. I yield to the Senator from Texas.

Mr. CONNALLY. I will say to the Senator from Colorado that I am not familiar with the general terms of the bill, and I am not advocating it. I was only prompted to interject some remarks on account of the very savage assault made on the Senator from Missouri by the Senator from Montana, one of his late comrades, one of the Roman legions that overwhelmed the Gauls.

Mr. ADAMS. I will say that if there is anybody who does not need assistance, it is the Senator from Missouri.

Mr. CONNALLY. I do not think he needed it, but I have such an affection for him that I wanted at least to be arrayed on his side.

Mr. ADAMS. I am not embarrassed like the Senator, because I was with the Senator from Missouri in his opposition to the recent measure.

Mr. CONNALLY. So was the Senator from Texas. I have no objection to having this bill referred to the Committee on Appropriations if that is what the Senator from Colorado is irritated about.

Mr. ADAMS. I will say to the Senator from Missouri that the Senator from Colorado is not irritated. I am merely pointing out the situation that exists. I go right along with the Senator from Missouri most of the time.

Mr. CONNALLY. Mr. President, the Senator from Colorado is never quite so effective as when he is irritated. [Laughter.]

Mr. ADAMS. Then perhaps I had better become irritated; but both the Senator from Missouri and I believe in the maintenance of the proper functions of committees. The Senator has been very effective on that subject within the past week, so far as his statement was concerned.

Mr. CLARK of Missouri. I was not effective in obtaining any results from the Senate. I may have been effective in my observations, but they did not seem to bear very immediate results. The Senator from Montana simply overpowered me, and overpowered the Senate, and assumed the jurisdiction of several other committees.

Mr. ADAMS. I merely wanted to make that statement. I do think we ought, without the scrutiny of the Committee on Appropriations, to grant this authority. I say that with all due respect to the Senator from Arizona [Mr. HAYDEN]. I heard his explanation. We have not here an emergency of a character which justifies putting into the hands of one man, whose personality perhaps is entirely unknown to us today, the expenditure of this vast sum of money.

We get into the habit of talking of millions very easily; but $277,000,000 is still a great deal of money.

Mr. CLARK of Missouri. I thoroughly agree with the Senator from Colorado in that observation.

Mr. ADAMS. And I personally think there should be some additional restriction, some provision, other than now exists.

Mr. MALONEY. Mr. President——

Mr. CLARK of Missouri. I will yield to the Senator from Connecticut in just a minute.

Let me say to my friend from Colorado that I certainly do not wish to grant to the Governor of the Panama Canal any more authority than is necessary. I do, however, say that unless we are willing to grant to the Governor of the Panama Canal enough authority to carry out the purposes of this act and to make it effective, it would be better to defeat the bill entirely and give over the idea of constructing the third set of locks at the Panama Canal. I certainly am not in favor of any such amendment as will probably double the cost of the estimates and make the project cost above $500,000,000 instead of $277,000,000, because the labor required to do this work certainly does not exist in the Panama Canal Zone at the present time.

I now yield to the Senator from Connecticut.

Mr. MALONEY. Mr. President, I am hopeful that the bill will not be defeated. It seems to me a tremendously important measure; but, in view of the fact that the language is disturbing to so many Senators, and because I am disturbed, too, and in view of the fact that the Senator from Missouri has expressed a generous willingness to see the proposal amended in certain particulars, I am wondering if he would not look with sympathy upon a suggestion that the bill be recommitted to his own committee for further study.

Mr. CLARK of Missouri. So far as I am concerned, I shall oppose the motion to recommit unless the Senate should agree to some such amendment as the one offered by the Senator from Nevada [Mr. McCARRAN], completely defeating and emasculating the purpose of the bill. If the amendment should be agreed to, I, myself, should move to recommit the bill; and if a disposition on the part of the Senate to include such an amendment is manifested, I shall oppose the bill, because I think it would defeat its purpose in any event, and would on any calculation double the proposed cost of construction.

Mr. MALONEY. Mr. President, will the Senator yield further?

Mr. CLARK of Missouri. I yield.

Mr. MALONEY. In view of what he has just said, I am seriously hopeful that the Senator from Missouri will sympathetically look upon a motion to recommit the bill. I am fearful that the bill may be destroyed by some amendment hurriedly offered in an effort to correct the bill, which seems to me to have been too hurriedly submitted to the Senate.

Sympathetic toward the aim of the Senator from Missouri to pass the bill in proper form, so soon as I can obtain the floor I will move to recommit the bill to the Committee on Interoceanic Canals.

Mr. CLARK of Missouri. Mr. President, I yield to the Senator from Connecticut for that purpose now, though I will oppose the motion. I do not see any necessity for prolonging the debate in the Senate if the bill is to be recommitted.

Mr. REED. Mr. President, I desire to endorse and approve what the Senator from Connecticut has stated. The junior Senator from Connecticut [Mr. DANAHER] has taken an interest in this matter, and I have just had a brief discussion with him in an attempt to draw an amendment to reach the end we desire to accomplish.

No one knows better than does the Senator from Missouri, the distinguished Senator in charge of the bill, the difficulty of trying to amend a bill of this importance on the floor. I hope the Senator from Missouri will look sympathetically on a motion to recommit, and will accept a recommitment of the bill to his committee. I assure him that when he brings the bill back, if any effort is made to insert the proposed labor amendment, I will help him, so far as I can, on the floor. But I do think there ought to be some limitation upon the authority given the Governor of the Canal Zone, and there is nobody so competent to write the proper language in the bill as the committee itself.

Mr. CLARK of Missouri. Mr. President, I yield to the Senator from Connecticut if he desires to present the motion.

Mr. MALONEY. I cannot make the motion until I have the floor.

Mr. CLARK of Missouri. I yield the floor to the Senator from Connecticut to make the motion.

Mr. MALONEY. Mr. President, because I do not desire to delay the Senate, and because I think nothing can be gained by a further debate on the bill in its present form, and because I think there has been a sufficient discussion to advise the Senators present of the seriousness of the enactment of the bill in its present form, I am about to make a motion that the bill be recommitted.

I should like to say, first, that I am in sympathy with the project involved in the bill. I should like to emphasize that the situation in Panama today considerably differs from the situation when the Panama Canal was built. The zone was malaria infested and dangerous to health. Over a long period there had been failures in attempts to dig a canal. The administration in power at that time, mindful of the failures and the deaths and the danger in the Canal Zone, realized that, if this tremendously important canal was to be constructed, dictatorial power had to be delegated.

The United States Government has corrected the conditions. There is no longer great danger to health. There is in my opinion an opportunity to employ a great many Americans in the Canal Zone now without danger to their health.

I think the committee is competent to draw a bill in keeping with the sentiments expressed on the floor of the Senate today by members of the Senate who desire to see the bill passed, but wish to see it perfected.

Without further delay, Mr. President, I move that Senate bill 2229 be recommitted to the Committee on Interoceanic Canals.

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

The PRESIDING OFFICER. The clerk will call the roll.

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

Adams	Austin	Bilbo	Bulow
Andrews	Barbour	Bone	Burke
Ashurst	Barkley	Borah	Byrd
Byrnes	Hale	Maloney	Shipstead
Capper	Harrison	Mead	Slattery
Caraway	Hatch	Miller	Smathers
Chavez	Hayden	Minton	Smith
Clark, Idaho	Herring	Murray	Stewart
Clark, Mo.	Holman	Neely	Taft
Connally	Hughes	Norris	Thomas, Okla.
Danaher	Johnson, Calif.	Nye	Thomas, Utah
Davis	Johnson, Colo.	O'Mahoney	Townsend
Donahey	King	Overton	Truman
Downey	La Follette	Pepper	Tydings
Ellender	Lee	Pittman	Vandenberg
Frazier	Lodge	Radcliffe	Van Nuys
George	Logan	Reed	Wagner
Gibson	Lundeen	Reynolds	Walsh
Green	McCarran	Russell	Wheeler
Guffey	McKellar	Schwellenbach	White
Gurney	McNary	Sheppard	Wiley

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

Mr. CLARK of Missouri. Mr. President, I desire to say just a few words about the motion of the Senator from Connecticut [Mr. MALONEY] to recommit the bill.

I have no personal interest whatever in the bill except that to my mind it is the most justifiable part of the President's whole program of national defense which was sent to the Congress at the beginning of the present session, denominated an emergency defense program. The measure under consideration was included in the recommendations accompanying the President's message. The general plan was set forth in more detail when the Secretary of War and the Chief of Staff first appeared before the Military Affairs Committee.

Mr. President, I am frank to say that I believe, and have always believed, that if the United States acts with any sense and any judgment we shall not be engaged in a war within the next few years. But I say that the protection of the Panama Canal and affording of additional facilities in the Panama Canal constitute perhaps the most justifiable and the most vitally necessary portion of the President's whole defense program.

If the Senate desires to delay that matter at the behest of someone outside the Senate who never presented any protest until after 11 o'clock today, that is the responsibility of the Senate. I shall oppose that action; and if the bill fails of passage at the present session of the Congress, I simply say that that is no responsibility of mine.

Mr. MALONEY. Mr. President, my interest in this proposal is exactly that of the Senator from Missouri. Because it is so important to the national defense I am anxious that the bill be considered at an early time and passed. However, because of the controversy which has arisen, because of the misunderstanding, and the possibility that the bill may be emasculated by amendments, because it is difficult to amend the bill on the floor in a few minutes, because I think there is room for much improvement in the bill, for it does grant dictatorial power to the Governor of the Panama Canal; because I think that the power might be more properly delegated, as the Senator from Missouri has himself indicated through his willingness to accept amendments to the bill and to bring action on it as quickly as we can, I hope that the motion to recommit will be adopted. I think the committee, without much delay, within a matter of a very few days, within a matter of a day, as a matter of fact, might bring the bill back with the changes which seem to me to be necessary. Under the bill in its present form, as was pointed out by the very able Senator from Colorado [Mr. ADAMS], the Governor of the Panama Canal is authorized to expend $277,000,000 and completely to circumvent the Appropriations Committee.

I should like to point out that under the terms of the bill the Governor of the Panama Canal could fix wages at any figure suiting himself; he might pay peon wages to one group, if he so decided, and pay $50,000 a year to one person if he so desired.

It seems to me to be a very great departure from the late practices of the Congress, and I am hopeful that the motion to recommit will prevail in order that we may pass a proper bill to provide for the performance of this very important work at an early time.

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). The question is on the motion of the Senator from Connecticut [Mr. MALONEY] to recommit the bill to the Committee on Interoceanic Canals with instructions. [Putting the question.] The Chair is in doubt.

Mr. CLARK of Missouri. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk called the roll.

Mr. SHIPSTEAD. I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if he were present he would vote as I shall vote. I am therefore at liberty to vote. I vote "yea."

Mr. HALE (after having voted in the affirmative). I have a general pair with the junior Senator from South Carolina [Mr. BYRNES]. I transfer that pair to the junior Senator from New Hampshire [Mr. TOBEY], and allow my vote to stand.

Mr. McNARY. I transfer my general pair with the Senator from Mississippi [Mr. HARRISON] to my colleague the junior Senator from Oregon [Mr. HOLMAN], and will vote. I vote "yea." My colleague [Mr. HOLMAN] would vote "yea" if present, but I am not advised how the Senator from Mississippi would vote.

Mr. AUSTIN. The Senator from New Hampshire [Mr. BRIDGES] has a general pair with the Senator from Illinois [Mr. LUCAS]. He is absent, being confined to the hospital because of an operation.

Mr. BYRD. My colleague the senior Senator from Virginia [Mr. GLASS] is absent because of illness. I am advised that if present and voting he would vote "yea."

Mr. MINTON. I announce that the Senator from Florida [Mr. ANDREWS], the Senator from Arizona [Mr. ASHURST], the Senator from South Carolina [Mr. BYRNES], the Senator from Mississippi [Mr. HARRISON], the Senator from New Mexico [Mr. HATCH], the Senator from Nevada [Mr. PITTMAN], the Senator from Missouri [Mr. TRUMAN], the Senator from New York [Mr. WAGNER], and the Senator from Massachusetts [Mr. WALSH] are attending committee meetings and, therefore, are unable to be here for the vote.

The Senator from Texas [Mr. SHEPPARD] is detained on official business.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Ohio [Mr. DONAHEY], the Senator from Iowa [Mr. HERRING], the Senator from Delaware [Mr. HUGHES], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Oklahoma [Mr. THOMAS] are detained on departmental business.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Rhode Island [Mr. GERRY], the Senator from Iowa [Mr. GILLETTE], the Senator from Illinois [Mr. LUCAS], the Senator from Alabama [Mr. HILL], and the Senator from Wyoming [Mr. SCHWARTZ] are absent on important public business.

The Senator from West Virginia [Mr. HOLT] is addressing the East Fairmont High School Alumni Association today, and is therefore necessarily detained.

The result was announced—yeas 50, nays 16, as follows:

YEAS—50

Adams	Downey	McNary	Slattery
Austin	Frazier	Maloney	Smathers
Barbour	George	Mead	Taft
Bilbo	Green	Neely	Thomas, Utah
Bone	Gurney	Norris	Townsend
Borah	Hale	Nye	Tydings
Byrd	Johnson, Colo.	O'Mahoney	Vandenberg
Capper	La Follette	Pepper	Van Nuys
Caraway	Lee	Radcliffe	Wheeler
Clark, Idaho	Lodge	Reed	White
Connally	Lundeen	Reynolds	Wiley
Danaher	McCarran	Russell	
Davis	McKellar	Shipstead	

NAYS—16

Barkley	Ellender	Johnson, Calif.	Minton
Bulow	Gibson	King	Schwellenbach
Burke	Guffey	Logan	Smith
Clark, Mo.	Hayden	Miller	Stewart

NOT VOTING—30

Andrews	Donahey	Holman	Sheppard
Ashurst	Gerry	Holt	Thomas, Okla.
Bailey	Gillette	Hughes	Tobey
Bankhead	Glass	Lucas	Truman
Bridges	Harrison	Murray	Wagner
Brown	Hatch	Overton	Walsh
Byrnes	Herring	Pittman	
Chavez	Hill	Schwartz	

So the bill (S. 2229) was recommitted to the Committee on Interoceanic Canals.

Mr. McCARRAN. Mr. President, with reference to Senate bill 2229, which has been recommitted to the Committee on Interoceanic Canals, earlier in the day I offered three amendments to it. I ask that they be printed and referred to the Committee on Interoceanic Canals.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House insisted upon its amendment to the bill (S. 1569) to amend the Agricultural Adjustment Act of 1938, as amended, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. JONES of Texas, Mr. DOXEY, and Mr. HOPE were appointed managers on the part of the House at the conference.

TRADE RELATIONS WITH THE PHILIPPINES

Mr. TYDINGS. Mr. President, I ask unanimous consent for the immediate consideration of Senate bill 2390, to amend an act entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes."

The PRESIDING OFFICER. Is there objection to the request of the Senator from Maryland?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Territories and Insular Affairs, with amendments.

Mr. TYDINGS. Mr. President, in the bill as reported to the Senate there are a number of typographical errors. In one or two cases it is necessary to change a word in a way which does not change the basic meaning of the bill but states it in better form. I ask that these amendments be first read and adopted.

The PRESIDING OFFICER. The clerk will state the amendments.

The CHIEF CLERK. On page 16, at the beginning of line 1, it is proposed to reinsert:

(5) The term "refined sugars" possesses the same meaning as the term "direct consumption sugar" as defined in section 101 of the Sugar Act of 1937.

And to renumber paragraphs 5, 6, and 7 as 6, 7, and 8, respectively.

The amendment was agreed to.

The CHIEF CLERK. On page 5, line 11, after the word "sugars" and before the word "which", it is proposed to insert "other than refined sugars."

The amendment was agreed to.

The CHIEF CLERK. On page 6, line 9, after the word "sugars" and before the word "and", it is proposed to insert "other than refined sugars."

The amendment was agreed to.

The CHIEF CLERK. On page 15, line 13, it is proposed to strike out "(47 Stat. 672)" and to insert "(46 Stat. 675)."

The amendment was agreed to.

The CHIEF CLERK. On page 19, line 12, after the word "this", it is proposed to insert the word "amendatory."

The amendment was agreed to.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. O'MAHONEY. Am I to understand that the amendments just read are offered?

Mr. TYDINGS. There was some confusion in the Chamber; but I explained, first of all, that most of the amendments deal with small errors in the bill, the numbering of paragraphs, and so forth. In one or two cases it was necessary to add a few words which do not change the philosophy of the bill in the slightest, but give a clearer picture of exactly what the bill contains. In reference to sugar, no change whatsoever is made in the existing sugar quota.

Mr. O'MAHONEY. I heard the words "refined sugars."

Mr. TYDINGS. Those words were added to make the quota plain.

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that the votes by which the amendments were agreed to be reconsidered until those of us who are interested in that phase of the bill may have an opportunity to examine the amendments.

Mr. TYDINGS. Mr. President, I ask that the votes by which the amendments dealing with refined sugars were agreed to be reconsidered and that the bill remain in the same position as though the amendments had never been offered until Senators interested therein can familiarize themselves with the subject.

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

Mr. TYDINGS. I yield.

Mr. BARKLEY. I suggest that the Senator from Maryland make a general statement about the contents of the bill and its provisions, so that the Senate may understand what we are considering.

Mr. CONNALLY. Mr. President, will the Senator yield for a question?

Mr. TYDINGS. I yield.

Mr. CONNALLY. Has any action been taken on any of the amendments?

Mr. TYDINGS. Only those which are typographical, those which relate to the numbering of paragraphs, and the amendment calling the act an amendatory act rather than the original act. No basic change in the philosophy of the bill has been made by the amendments which have been agreed to up to this time.

Mr. CONNALLY. As the Senator knows, the Senator from Texas is deeply interested in a committee amendment on pages 19 and 20 relating to the processing tax on imported coconut oil. That amendment has not been acted upon, has it?

Mr. TYDINGS. No.

Mr. CONNALLY. When the Senator concludes, I wish to take the floor to make a few remarks concerning that amendment.

The PRESIDING OFFICER. Without objection, the votes by which the amendments relating to refined sugars were agreed to are reconsidered.

Mr. TYDINGS. Mr. President, the bill is far different from the original bill introduced at the beginning of this session of Congress. The original bill covered a wide territory. It covered not only the period up to independence but, in an economic way, covered the period after complete independence. I hope Senators will not confuse the original bill with the bill now before us.

The pending bill deals only with the time up to independence. It does not make any change in the original act after independence. Everything in the original act dealing with the Philippine situation after 1946 remains untouched by the bill which is now pending before the Senate. However, in line with certain requests from Americans and Filipinos alike, it was felt advisable by the administration that some changes be made in the existing independence act of the Philippine Islands.

The original act, called the Tydings-McDuffie Act, provided that commencing in 1941 and extending to the year 1946, tariffs should be levied on products coming from the Philippine Islands into the United States, starting with 5 percent of the existing tariff in 1941, 10 percent of the existing tariff in 1942, and increasing 5 percent each year until 1946, when 100 percent of the tariff would fall upon products coming from the Philippine Islands to the United States, because after that time the Philippines would be a free and independent country.

After extensive hearings lasting almost a month the committee recommends to the Senate 5 percent reductions in the amount of goods that may come from the Philippines in place of the 5-percent increases in tariffs contained in the original Philippine Act. In other words, if 100 percent is established as the quota of any particular commodity covered by the act, in the year 1941 only 95 percent of that amount may come in; the next year only 90 percent; the following year 85 percent; the next year 80 percent; the fifth year 75 percent, and after the fifth year all considerations of that kind are eliminated, and products coming from the Philippines will be on exactly the same basis as those coming from France, Great Britain, South America, or any other country. In other words, we have substituted a quota restriction for a tariff increase—a constantly decreasing quota for constantly increasing tariffs. Such an arrangement is better for the Filipinos, and I believe it can be shown to be better for our own people.

That, briefly, is the reason for the bill. There are other provisions in the bill, but the bill was offered in the first place to eliminate the increases in tariffs and substitute therefor increases in quota restrictions.

The bill has the approval of the administration. Indeed, I think I may say I have offered it at the request of the administration. I was frank to say to those in the administration who were interested in the matter that I doubted whether the original bill introduced could be passed through this Congress; that there was much opposition in the committee, and I believed there would be much opposition on the floor. However, I felt that the committee and the Senate alike would probably realize that there is fairness in the limitations to which the bill addresses itself, and therefore that such a measure might receive the approval of the Congress.

At the request of the administration I introduced the bill, the committee considered it, and reported it favorably, with one or two amendments.

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

Mr. TYDINGS. I yield.

Mr. ADAMS. I gather that the plan of the bill is to change the sliding scale from a tariff to a quota reduction basis.

Mr. TYDINGS. Yes.

Mr. ADAMS. Can the Senator tell me offhand whether or not there is the same 5-percent reduction in sugar quotas?

Mr. TYDINGS. I shall try, of course, to answer any question as accurately as I can. However, I will say to the Senator that generally, wherever there was a 5-percent increase in tariff in the original bill, there is in this bill a quota provision to take care of the tariff.

Mr. ADAMS. I notice that certain specific quotas are set out on page 3. I have not read the bill. Can the Senator tell me whether or not the sugar quota, which was 850,000 tons under the original bill, was subjected to a 5-percent reduction?

Mr. TYDINGS. No. The commodities which are in the bill under the quota are Philippine cigars, scrap tobacco, cigar ends, stripped filler tobacco, coconut oil, pearl buttons, and embroideries. In my judgment the provisions of the original independence act in reference to sugar remain untouched.

Mr. ADAMS. That is, the tariff limitation would then apply?

Mr. TYDINGS. That is correct. The quota provision of 50,000 refined tons and 800,000 raw tons remains; and all the tariff provisions of the original act remain as we passed the act in 1934.

I think I should perhaps make more headway, and I desire to yield the floor as soon as possible, if, with this brief explanation and making one or two more statements I desire to make, Senators would later ask me questions which, insofar as I can, I will try to answer.

Mr. O'MAHONEY. Mr. President, will the Senator yield, if it is not objectionable to him at this point?

Mr. TYDINGS. I am glad to yield.

Mr. O'MAHONEY. I just read the amendments the Senator sent to the desk. Glancing at the second one, I ask the Senator if there is not a typographical error in it. If the Senator will observe, it inserts the phrase "other than refined sugars" after the word "sugars" and before the word "which." Does he not mean before the word "shall?"

Mr. TYDINGS. It may be; I would have to look at it again. I would not want to say offhand. I will say, however, that I think these amendments came to me from the Customs Bureau of the Treasury Department and I may have misinterpreted them.

Mr. O'MAHONEY. The amendment which the Senator has sent to the desk reads:

On page 5, line 11, insert after the word "sugars", and before the word "which" the following: "other than refined sugars."

There is no word "which" at that place.

Mr. TYDINGS. On what page?

Mr. O'MAHONEY. On page 5, line 11. That, of course, will have to be straightened out.

Mr. TYDINGS. We will straighten that out. The Senator, of course, may be correct. I have merely offered the amendments at the instance of the administrative department in the hope that they would clarify the existing language. If it does not change the philosophy of the measure, I have no objection to correcting the typographical errors in the form in which I have presented them.

Mr. O'MAHONEY. At the proper time, I shall ask the Senator to explain what the effect of those amendments will be.

Mr. TYDINGS. Very well.

Under the original Filipino Act, too, a large sum of money was to be collected through various taxes and then turned over to the Filipino government, which it could spend in almost any way it desired. There is a provision in this bill which limits the way in which that money may be expended, and it is to be managed under a joint Filipino and American commission which will use the money as a guaranty to liquidate any Filipino bonds, to which it might be assumed our Government is a party, directly or indirectly; so that we will not have claims bills here after all arrangements have been completed and be called upon to pay interest or, perhaps, principal, if, as I do not believe will happen, the bonds should ever be in default.

Another question relates to the rights of Americans in the Philippine Islands. Those rights were pretty clearly defined in the original Independence Act, and we have in this bill given to the Filipinos the same rights in this country that the Philippine government gives to Americans in the Philippine Islands.

Then, too, in the original act no provision was made to retain property now belonging to our Government should we desire to retain it for diplomatic, business, or other purposes. Under the provisions of the pending bill the United States reserves the right to retain any of this property that it now has in the Philippine Islands for any use to which it may desire to put it, whereas without this provision all of that property would revert to the Filipino government.

What I have said briefly touches the high lights of the bill. I understand there will be some discussion of the coconut-oil provision, and I have asked the Senator from Arizona [Mr. HAYDEN], who has made a very intensive study of this particular phase of the question and has compiled considerable data, if the necessity arises, to present the full case on that particular subject.

There is much interest, too, regarding sugar, and, rather than take any chance that I might misrepresent the matter, I asked Vice President Osmena, of the Philippine government, to make clear that turbinado sugar, which has been coming into the United States, would not come in the future, as the refineries feel that the raw sugar should come in and our people should have the work of refining it in accordance with the Sugar Act. Vice President Osmena wrote me a letter stating that as all sugar had to receive a license from the Filipino government before it could be exported to this country, he had received assurances, which he put in a letter, that even if the law were not touched not another license would be issued to permit the shipment of turbinado sugar into the country. Without questioning his good faith, I asked him if he would not also get a statement from President Quezon touching this subject. He sent me on May 29 the following letter, which I should like to have printed in the RECORD, and which I will read:

MAY 29, 1939.

MY DEAR SENATOR TYDINGS: In further reference to the question of sugar, I beg leave to quote hereunder a telegram received from President Quezon addressed to Commissioner ELIZALDE regarding stopping further shipments of turbinado sugar:

"MAY 26, 1939.

"No. 326. For Commissioner ELIZALDE:

"No further shipments turbinado will be permitted.

"QUEZON."

Since under existing law and the provisions of the bill (S. 2390, Calendar No. 481), reported by your committee Philippine sugars sent to the United States must have export permits from the Philippine government, the refusal of the Philippine government to issue permits for turbinado sugar will be sufficient to stop further shipments of such sugar to the United States.

I trust that this information will serve your purpose.

Sincerely yours,

(Signed) S. OSMENA,
Vice President of the Philippines, on Special Mission to the United States.

Senators will recall that a great many refiners thought that the importation of turbinado sugar was a violation of the act, and rather than trust the matter to defining it again, and perhaps having some other content come in, I thought that it would be wise at the same time to have what might be called a definite understanding about it. Having had this assurance from the President of the Filipino government and the Vice President of the Filipino government, and as that government itself must issue permits for any such sugar that comes into the United States, their word in formal statement that it will not come in, together with letters from the Treasury Department, as well as the State Department, that there is no need for the amendment, I feel that the limitation of 50 tons of refined sugar will be respected in every way.

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

Mr. TYDINGS. I yield to the Senator from Louisiana.

Mr. ELLENDER. The fact remains, however, does it not, that under the pending bill as it is now framed 850,000 tons of direct-consumption sugar may enter the United States from the Philippine Islands? As the law now stands, 800,000 long tons of raw sugar and 50,000 tons of refined sugar may be admitted.

Mr. TYDINGS. That is correct.

Mr. ELLENDER. Under this bill it can be all——

Mr. TYDINGS. Raw sugar.

Mr. ELLENDER. Yes. But it can also be all direct-consumption sugar. That will especially be true should we fail to reenact a new sugar bill at the expiration of the 1937 Sugar Act.

Mr. TYDINGS. I do not think so; I think it can all be raw; but only 50,000 tons can be refined sugar; and, with the telegram covering sugar which is just under what is considered to be refined sugar and the promise that no permits will be issued for that kind of sugar, we have, in addition to the law, the word of the Filipino government itself that the sugar will be sent in a raw state and not in a semirefined or refined state.

Mr. ELLENDER. The present officers of the Filipino government may lose their jobs at the next election.

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

Mr. TYDINGS. Yes.

Mr. ELLENDER. As the law now stands, should the Philippines fail to send any refined sugar, their exportation to this country would be limited to 800,000 tons of raw sugar?

Mr. TYDINGS. As the law now stands, that is correct.

Mr. ELLENDER. Under the pending bill, if they choose not to send any refined sugar, they could send 850,000 tons of raw sugar.

Mr. TYDINGS. That is correct.

Mr. ELLENDER. So that they could really and truly increase their shipments of raw sugars by 50,000 tons.

Mr. TYDINGS. That is not correct. Under the present law they can send 800,000 tons of raw sugar and 50,000 tons of refined sugar, making 850,000 tons all told. They could send in, under this bill, 850,000 tons, which may all be raw or 800,000 tons of it could be raw and 50,000 tons and no more could be refined.

Mr. ELLENDER. Exactly so. And I am convinced that if we fail to use the same terms with respect to sugar in both the pending bill and the Sugar Act it would permit the importation of direct consumption sugar in addition to the 50,000 tons of duty-free refined.

Does the Senator know how much refined sugar they have sent to the United States in the past?

Mr. TYDINGS. I am saying to the Senator, in answer to both questions, that the reason the committee worded it in this fashion is that turbinado sugar is so close to refined sugar that we wanted a double definition, a double check, so that the terms of the Sugar Act would not be violated by the Filipino government. If we have not done that then we have missed our purpose.

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

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

Mr. BARKLEY. As I understand, under the present law 800,000 long tons of sugar may be shipped into the United States?

Mr. TYDINGS. That is correct.

Mr. BARKLEY. And 50,000 tons of refined sugar?

Mr. TYDINGS. That is correct.

Mr. BARKLEY. Of course, if they send in 800,000 tons of raw sugar and 50,000 tons of refined sugar, then the 800,000 tons of raw sugar are refined in this country.

Mr. TYDINGS. That is correct.

Mr. BARKLEY. Under the pending bill they could send 850,000 tons of raw sugar?

Mr. TYDINGS. That is correct.

Mr. BARKLEY. And the additional 50,000 tons would be refined in this country rather than in the Philippines?

Mr. TYDINGS. The Senator is correct. The attitude of Congress has been to permit the importation of raw sugar and have it refined in this country rather than to have them develop the refined sugar business in the islands. To speak frankly, that is what the Congress, and particularly those interested in sugar legislation, wanted. We thought we were meeting that view by putting the possibility of cutting out the exportation of refined sugar up to them, and having it all in the raw state instead of the refined state, and they were satisfied to proceed in that way.

Mr. BARKLEY. That constitutes an advantage to this country, because all the sugar will be refined here.

Mr. TYDINGS. Yes, and will provide employment in this country which would not otherwise exist.

Mr. BARKLEY. Let me ask the Senator another question. Considering the probable difference in the restriction of importations by reason of the stepping up of the tariff 5 percent, as would be done under the present law——

Mr. TYDINGS. Not in the case of sugar.

Mr. BARKLEY. No, but providing in this bill that instead of stepping it up 5 percent the imports shall be automatically reduced 5 percent, can the Senator advise us under which plan the largest amount of imports would probably occur?

Mr. TYDINGS. Yes; I think I can. In some cases, on some particular products, it is possible that the tariff might cut down importations more than the quota would do so. On other products, because of the particular economic factors that enter into the production of those products, it might be that the quota would cut down importations more than the tariff would do so. I may say to the Senator, however, that on a couple of the products, like embroideries, if we do not have the quota it is quite likely that the entire industry in the Philippine Islands will go out of existence.

Mr. BARKLEY. It is true, though, that a definite reduction in quotas brings about a more specific reduction in imports than might be possible under a 5 percent higher tariff?

Mr. TYDINGS. That is correct; and it allows the Filipino people to know exactly how much they may produce, and to readjust their economy, which all of us want them to have a chance to do.

Mr. BARKLEY. Under the tariff step-up the amount would be more or less speculative, whereas under this plan it is really definite?

Mr. TYDINGS. That is correct.

Mr. KING. Mr. President, perhaps the Senator has stated—if not, I think he might with great propriety state—that the most recent report from the Agricultural Department and the State Department shows that the Philippine Islands are now the fifth largest customer of American commodities. In other words, there are only four countries which purchase a larger quantity of American goods than do the Philippines; and the Philippines therefore are a very important market for the products of the United States.

Mr. TYDINGS. I thank the Senator for his contribution. What we tried to do in the bill which is pending before the Senate was to obtain the maximum amount of prosperity for both countries without seriously injuring anything in either country, so far as we could. It was not possible to work out the matter with complete perfection to the satisfaction of all parties concerned; but we tried to take into consideration the welfare of our own country selfishly, the welfare of the Filipino people selfishly, and then in a more tolerant way the welfare of both countries, and to adjust the facts and circumstances to that particular situation, because the Philippines are one of our good customers, and we do not want to destroy that buying power, particularly at this time of unemployment.

Mr. President, I understand that some amendments may be offered from the floor. Only two amendments are offered by the committee, I believe. I ask unanimous consent that the committee amendments be first acted upon.

The PRESIDING OFFICER (Mr. TRUMAN in the chair). Is there objection to the request of the Senator from Maryland? The Chair hears none, and it is so ordered.

Mr. O'MAHONEY. Mr. President, may I ask the Senator from Maryland to explain the effect of the amendments which he has just proposed from the floor?

It would appear from the text of the amendments which were read from the desk today that the phrase "other than refined sugars" is being inserted in the bill in two places. The provisions which are changed by this amendment are provisions which govern the allocation of the quota by the Philippine government. My question to the Senator is intended to develop information as to what will be the effect upon the bill of inserting this phrase in two places.

Mr. ELLENDER. Mr. President, has the Senator from Maryland yielded the floor?

Mr. O'MAHONEY. No; the Senator has just yielded for a question.

Mr. ELLENDER. I desire to ask him another question.

Mr. TYDINGS. Mr. President, without taking either Senator off the floor I am going to ask, if I may, in order to get one situation disposed of, if the Senate will not unanimously agree, on page 5, line 11, after the word "sugars", to insert the words "other than refined sugars." That is what we have just been discussing.

Mr. ELLENDER. The question I desired to ask the Senator from Maryland is: Where does he find the language in the bill that prescribes that the 800,000 tons of sugar shall be raw sugar? As I understand the language on page 4, line 11, it says:

> Upon all Philippine sugars, which are entered, or withdrawn from warehouse, for consumption.

And on page——

Mr. O'MAHONEY (interposing). Mr. President, may I answer for the Senator from Maryland?

Mr. TYDINGS. Go ahead.

Mr. O'MAHONEY. My impression is that the Senator from Louisiana was not on the floor when the Senator from Maryland presented an amendment by which lines 1, 2, and 3 on page 16 are restored to the bill. As the measure was

reported by the committee, those three lines were to have been eliminated. The committee now restores them to the bill; and I think that covers the primary question in which those of us who are representing sugar-producing States were very much interested.

Mr. ELLENDER. The Senator from Louisiana was on the floor and that is not his understanding. That language has not been restored. Mr. President, I repeat, will the Senator point out the language as it now appears in the bill that makes it certain that only raw sugars will be permitted to enter and not direct consumption sugar. As I remarked a few minutes ago it is essential that the same terms with respect to sugar be used in both the pending bill and the 1937 Sugar Act.

Mr. ADAMS. Mr. President, that means that the committee amendment was not agreed to?

Mr. O'MAHONEY. Exactly; that is my understanding. The committee amendment has been withdrawn, and the bill now is before the Senate containing this sentence:

> The term "refined sugars" possesses the same meaning as the term "direct consumption sugar" as defined in section 101 of the Sugar Act of 1937.

Mr. TYDINGS. Mr. President, does the Senator mean that that language is out or in?

Mr. O'MAHONEY. The words I have just read will appear in the bill.

Mr. TYDINGS. Mr. President, that is not correct. No effort has been made to withdraw any amendment. I did not understand the Senator. This particular provision I asked to have written by the Tariff Division of the State Department, which has control over reciprocal treaties, and referred to the customs; and I have here letters from Mr. Gibbons, and likewise the wording in the report.

Mr. O'MAHONEY. Mr. President, if the Senator will yield to me, I am basing my statement upon the first two lines of the amendment which he himself just offered from the floor and sent to the desk.

Mr. TYDINGS. Yes; the Senator is perfectly correct about that. He and I are talking about two different things.

Mr. LODGE. Then the language at the top of page 16 is just as it originally appeared in the bill?

The PRESIDING OFFICER (Mr. HATCH in the chair). The present occupant of the chair has just taken the chair, but he is advised that the Senator from Maryland offered certain amendments which were agreed to; but later, on the request of the Senator from Wyoming [Mr. O'MAHONEY], those amendments were reconsidered, and none of them has been adopted.

The Senator from Maryland first asked unanimous consent that committee amendments be first considered. That consent was given. Then the Senator from Maryland asked unanimous consent that on page 5, line 11, certain words be inserted; and that is the question now before the Senate.

Mr. O'MAHONEY. I think the Chair has correctly stated the parliamentary situation; but before I can give consent to the adoption of the amendment just proposed by the Senator I want to clear up the effect of these amendments upon the importation of Philippine sugar.

As I was discussing the amendment with the Senator, a question was raised by the Senator from Louisiana [Mr. ELLENDER] dealing with the primary issue of refined and direct-consumption sugars and as to what they mean. I am calling his attention to the fact that the first amendment which was offered by the Senator from Maryland today was to reinsert lines 1, 2, and 3 on page 16. As the bill was reported by the committee, those lines were stricken out. They are now reinserted; so that if the bill is enacted as the chairman of the committee now urges it, it will contain this sentence:

> The term "refined sugars" possesses the same meaning as the term "direct consumption sugar" as defined in section 101 of the Sugar Act of 1937.

I may say that that is altogether satisfactory to me, and I believe it is quite satisfactory to all of us who represent sugar-producing States.

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

The PRESIDING OFFICER. Does the Senator from Wyoming yield to the Senator from Montana?

Mr. O'MAHONEY. I shall be very glad to yield to the Senator from Montana.

Mr. WHEELER. The Senator says the first three lines on page 16 remain in the bill.

Mr. O'MAHONEY. If the amendment which the Senator now offers is adopted.

Mr. WHEELER. All it would be necessary to do, if it is desired to have those three lines remain, is not to adopt the committee amendment.

Mr. O'MAHONEY. Exactly; so that the motion would be to withdraw or reject the amendment.

Mr. WHEELER. Yes. I suggest to the Senator from Maryland, in order that we may clear up this matter, that he ask unanimous consent that the committee amendment on page 16 be rejected.

Mr. TYDINGS. I will do that, if the Senator will yield just a moment. Let me say, in order that there may be no anxiety about any change in the quotas on sugar, and that there may be no further anxiety about the importation in the future of turbinado sugar, not only does the committee amendment define how much sugar of all classes may come in, and no more, but I have previously read the statement of the President of the Philippines and the Vice President that no permits will be issued for the exportation to the United States of semirefined sugar from the Philippine Islands. So that either way, and certainly by both ways, the condition of which many have complained will not come to pass.

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

Mr. TYDINGS. As soon as I make a request I will yield. I ask unanimous consent for the consideration in order of the amendments which I send to the desk.

The PRESIDING OFFICER. The question now before the Senate is the request of the Senator from Maryland that on page 5, line 11, there be inserted the words which the Senator has stated and which the Chair will ask the Senator to state again.

Mr. TYDINGS. Mr. President, I ask that that amendment be withdrawn and that the amendments which I have sent to the desk be read in order and acted upon by the Senate. They will carry the idea through the entire bill in line with the discussion on the floor.

The PRESIDING OFFICER. Is there objection? The Senator from Maryland proposes that the Senate reject the committee amendment to strike out lines 1, 2, and 3 on page 16 and to change the numbering of the paragraphs.

Mr. LODGE. Mr. President, I should like to ask the Senator from Maryland for the RECORD whether it is not his understanding, as it is mine, that the adoption of this amendment will give the American sugar-refining interests every safeguard they request?

Mr. TYDINGS. It certainly will, and, in addition to that, it will make explicit what the Congress has already said in a formal law so that there cannot be any doubt in the future as to what was intended by Congress.

Mr. LODGE. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee on page 16, line 1.

The amendment was rejected.

The PRESIDING OFFICER. The clerk will state the second amendment submitted by the Senator from Maryland.

The CHIEF CLERK. On page 5, line 11, it is proposed to insert after the word "sugars" and before the word "shall" the words "other than refined sugar."

Mr. O'MAHONEY. Mr. President, I desire to ask the Senator from Maryland to explain the effect of the amendment. I take it that this amendment and the next succeeding one are intended to serve the same purpose.

Mr. TYDINGS. The best way to explain the amendment is to read the text as it would be if amended:

> The quotas for sugars other than refined sugar shall be allocated annually to the sugar-producing mills and the planters supplying the mills.

And so forth. In other words, after the Philippines, in the Sugar Act, were allowed 800,000 long tons of raw sugar, it became necessary for the Philippine government to say who was going to produce the raw sugar. As we wanted to treat all of the Filipino sugar producers fairly, insofar as we could control the matter without infringing on the rights of the Filipino government, we merely inserted the provision that those quotas should be fixed equitably among the sugar producers of the Philippines. It applies only to raw sugar, because there is only one refinery of any consequence in the islands. Does that explain it?

Mr. O'MAHONEY. It is my understanding that the amendment pending and the succeeding amendment apply solely to the activities of the Philippine officials, and do not in any manner whatsoever affect the importation of refined sugar to the United States.

Mr. TYDINGS. Not in the slightest way.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from Maryland.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment submitted by the Senator from Maryland.

The CHIEF CLERK. On page 6, line 9, after the word "sugars" and before the word "and", it is proposed to insert the words "other than refined sugar."

The amendment was agreed to.

The PRESIDING OFFICER. The Chair informs the Senator from Maryland that the next two amendments sent to the desk have already been agreed to.

Mr. HAYDEN. Mr. President, as has been very properly pointed out by the Senator from Utah [Mr. KING], the Philippine Islands now occupy a position as our fifth best customer in all the world.

Mr. CONNALLY. Mr. President, if the Senator will yield, his amendment is not now before the Senate, is it?

Mr. HAYDEN. No; I am making some general observations.

When we took over the Philippine Islands they had a population of about 7,000,000. The population has increased to 17,000,000, and that is one reason why we have such good trade with them.

Senators will find in examining the bill that we are not just doing something good and altruistic for a people across the Pacific; we are conferring substantial benefits upon the United States. As I have stated, the Philippines are our fifth best customer, and among the products of which they buy most are, first, cotton textiles. They have been among our very best customers in all the world. Last year they bought 39 percent of all the cotton textiles exported from this country. To insure that that market shall not be lost the pending bill I read from the report of the joint preparatory committee:

> The committee, therefore, recommends that the Philippine tariff on cotton textiles be increased. It recommends the adoption of the schedules specifically set forth in appendix III, which schedules, if made effective simultaneously with the termination of the "gentleman's agreement," should not increase materially the prices paid by Philippine consumers.

The bill specifically refers to the recommendations made by the joint preparatory committee and states that they shall be carried out. The recommendation as to cotton textiles is that the Philippine tariffs shall be raised as against the rest of the world, and the United States shall continue to have free entry for cotton textiles into the Philippine Islands. That means, in effect, the elimination of Japanese competition to a very large extent. The Japanese were taking that business away from us entirely, but by the gentleman's agreement, referred to heretofore, they agreed not to take more than half of it. If the pending bill shall be enacted into law and its terms carried out, we will have a very much better market for cotton textiles in the Philippine Islands.

Our next large item of export to the Philippine Islands is evaporated milk. In the last year we sent to the Philippines 49.3 percent of all the evaporated milk which was shipped out of the United States. It is a very excellent market. However, there has been increasing competition in evaporated milk in that market from the Netherlands. The pending bill provides that the Philippine tariff on condensed milk shall be increased from 10 to 25 percent ad valorem as against the rest of the world and that from now until 1946 the American condensed milk shall have free entry into the Philippine Islands.

The next large item of export to the Philippines is canned fish. Of canned sardines we send to the Philippines 26.5 percent of our exports to all the world. The bill provides for increased Philippine duties on all canned fish, giving, again, a preference for American canned fish in that market. What is true of canned sardines is also true of canned mackerel; 26.2 percent of all the canned mackerel shipped out of the United States last year went to the Philippine Islands.

They are good customers for our corrugated iron. They buy our automobiles. We have educated them over a period of 40 years to know and understand American products. We have taught them the English language, so that they can read and understand the advertisements in American magazines. It is a market we do not want to lose; it is advantageous to us.

The only way the Philippines can do business in the United States is by having purchasing power, and that is why I favor the provisions of the pending bill, which allow a quota of sugar to come to the United States. If the Filipinos can sell their sugar here, they can buy our canned fish, our condensed milk, our automobiles, and the other products they have been purchasing from us. The same thing is true of their cordage and the same is true of their coconut oil. I mention the latter because that is the subject of the next amendment to be considered in the bill.

I wish to state briefly why the Senate Committee on Territories and Insular Possessions made a recommendation that the excise tax of 3 cents per pound on coconut oil, now levied when it comes in from the Philippine Islands, should be taken off so far as denatured coconut oil is concerned.

Of the coconut oil imported into the United States, 68 percent is used in soap. If it is denatured, it could still go to that market. Thirty-two percent goes into food products.

The committee proposes to admit denatured coconut oil free, but to continue the excise tax of 3 cents per pound upon any coconut oil which comes in for food purposes.

We made that provision because it was in the interest of our own country. We found that as a result of the provision of law which requires that the export taxes be returned to the Philippines for the 4 years, 1935, 1936, 1937, and 1938, a total of $65,000,000 was collected in the United States at the expense of our Government and remitted to the Philippine Islands. The average for the 4-year period was $16,358,497. In the first 9 months of the present year $14,000,000 had already been collected. At the present rate we will collect around $18,000,000 this year in the United States and remit it to the Philippine Islands. Those figures are what the committee considered in making its recommendations.

Mr. FRAZIER. Mr. President——

The PRESIDING OFFICER (Mr. RUSSELL in the chair). Does the Senator from Arizona yield to the Senator from North Dakota?

Mr. HAYDEN. I yield.

Mr. FRAZIER. I should like to ask the Senator from Arizona what he thinks the effect would be if the 3-cent tariff were cut off; whether the coconut oil would come in that much cheaper, and, if it did, would it not have the effect of reducing the price of our fats and oils here in the United States?

Mr. HAYDEN. That brings me to the next fact which induced the Senate committee to recommend this amendment. We ascertained as a fact that in a little less than 5 years there had been accumulated in this country practically $80,000,000 which we must give to the Philippine government. If in doing that we had cut down the uses of coconut oil in the United States, it might have been entirely justified. But I want to give the Senate the figures for the years before the tax was imposed and after the tax went into effect, to show that it had no effect at all.

The tax was imposed in 1934. Let us take the 4 years before that: In 1931, 592,000,000 pounds of coconut oil came

to the United States; in 1932, 549,000,000 pounds; in 1933, 583,000,000 pounds; in 1934—the year in which the tax was imposed—585,000,000 pounds; in 1935, 582,000,000 pounds; in 1936, 602,000,000 pounds; in 1937, 425,000,000 pounds. In 1938, 555,000,000 pounds of coconut oil came in.

Senators can see from those figures that, although the 3-cent tax was imposed, coconut oil still came in from the Philippines in practically the same volume. There must be a reason for that. The reason is perfectly simple—that good soap cannot be made without the use of coconut oil.

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

Mr. HAYDEN. I yield.

Mr. PEPPER. I wish to ask the Senator if it might be possible that the need for that kind of oil expanded, and in spite of the fact that the quantity which came in increased, there still might have been some diminution in quantity by reason of the imposition of the tax.

Mr. HAYDEN. No, Mr. President. The principal use of the coconut oil in the United States is to make soap. Imported oils that go into soap must contain lauric acid. When coconut oil goes into food products, the committee does not propose to change the rate at all. Personally I think that is entirely sound. We have this broad fact to consider, that in the United States for many years, except in the drought years, we ordinarily have had a great surplus of edible oils and fats, more than we needed. We exported large quantities of lard and other fats; but we have always had a shortage of inedible oils and fats, and that being the case, we must distinguish between the two, and that is what the amendment does.

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

Mr. HAYDEN. I yield.

Mr. ADAMS. Can the edible oils be substituted for the inedible oils in soap making?

Mr. HAYDEN. No.

Mr. ADAMS. I ask the question because in the amendment there is provision for the treatment of certain oils so they might not be edible.

Mr. HAYDEN. Yes. Coconut oil can be very satisfactorily denatured. Coconut oil can be so treated that it can no longer be consumed as food. It is made to be very, very bitter. Congress has imposed that duty upon the Treasury Department, and they have been denaturing oils for the last 25 years. If the oil is properly denatured, it is no longer edible and no longer competes with American edible oil. Without being denatured, coconut oil can be used for edible and nonedible purposes. But what the committee is proposing by the amendment is the admission only of coconut oil that is nonedible. The principal destination of that oil is the soap kettle.

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

Mr. HAYDEN. I yield.

Mr. ELLENDER. Is there any limitation upon the amount of the denatured coconut oil that can be brought into the United States?

Mr. HAYDEN. There is a limitation in the quota of coconut oil manufactured in the Philippines that can come in.

Mr. ELLENDER. I have particular reference to the amount that is to come in a denatured form for the purpose of making soap.

Mr. HAYDEN. The law now provides, and the amendment contemplates, that if copra comes in and oil is pressed out of it, the manufacturer shall pay the excise tax if there is a tax to be paid on the edible part of it. On the part that is being made inedible, he pays no tax. If the coconut oil comes from the Philippine Islands and is purchased by a soap factory, that would be the first domestic processing of that oil, and the soap maker pays the tax now. He would not have to pay it if it were denatured oil.

Mr. ELLENDER. My information is that as much as 448,000,000 pounds of this denatured coconut oil is to be permitted to be imported into this country under the proposed legislation. Is that correct?

Mr. HAYDEN. That is hardly as much as has been coming in, so it is within the limit. We imported 555,000,000 pounds this year. And as I just read the Senate the figures, we imported 602,000,000 pounds in 1936, and 582,000,000 pounds in 1935.

Mr. ELLENDER. The Senator has stated the entire amount of coconut oil importations. I had reference to the denatured oil that may be permitted under the bill. Mr. President, would the Senator agree to an amendment limiting the amount of denatured coconut oil?

Mr. HAYDEN. I cannot see any possible advantage in doing that. The purpose of the amendment would be destroyed. What we are trying to do is to let oil come in to be used in making soap, and not to be taxed, because the tax is paid by the American consumer.

Mr. ELLENDER. If the bill is passed the American consumer will pay just the same. I predict that the soap will not sell any cheaper than it is now sold, and the manufacturer is going to get the benefit. Why not put a limitation? Why not place a limitation of say 362,000,000 pounds, the amount consumed last year by soap manufacturers.

Mr. HAYDEN. When the tax was imposed the price of soap went up. I quoted the figures from the hearings before the Committee on Finance in that respect.

Mr. ELLENDER. They had a good reason to cause the price of soap to go up. They are going to take advantage of this tax rebate, as it were, and make the American people pay just the same.

Mr. HAYDEN. The tax is paid in one of two places. It is paid either by the American consumer or paid by the Philippine producer of coconut oil. My judgment is that when times are good and there is a demand for oil all over the world, it is paid by the American consumer. When times are bad it is reflected back and paid by the coconut grower in the Philippine Islands.

Mr. ELLENDER. I have before me a statement from the Department of Commerce showing that in the year 1938, 702,000,000 pounds of inedible tallow was used in the making of soap.

Mr. HAYDEN. That is correct.

Mr. ELLENDER. With this cheaper coconut oil coming in, what effect will it have, in the Senator's opinion, on the use of these tallow inedibles for making soap?

Mr. HAYDEN. That is a question I am glad the Senator asked, because some of the stockmen out in Arizona are asking me the same question, implying that the introduction of coconut oil will displace tallow. There is no basis in any Government statistics to justify that idea. The truth is that we used to make soap out of tallow before we had coconut oil, and then we found that by mixing coconut oil with tallow we would get a soap that would lather in hard water. You cannot make a soap that satisfies the American housewife unless it has these lauric acid oils in it. If too much coconut oil is used it is hard on the hands and women do not like it. If you do not put enough coconut oil in it, and there is too much tallow, the soap will not lather.

A soap formula has been worked out since the World War which is satisfactory to the great majority of women in the homes of America. Of all the fats and oils used in the manufacture of soap, about 20 percent has been coconut oil, and about one-fifth or one-fourth of the oils that go into soap must be the oils that contain lauric acid. Since the invention of the washing machine the American housewife knows exactly what she wants. She wants something that will properly wash the clothes, and you cannot substitute anything for it. That is why, when Congress imposed this excise tax of 3 cents on coconut oil, it did not stop its importation. The soap makers had to have it to make a soap the American housewife would use, and they added the cost of the tax on coconut oil to the price of soap. That was all there was to it.

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

Mr. HAYDEN. I yield.

Mr. TYDINGS. I should like to suggest that the amendment had its origin with the Senator from Arizona, and that there is no desire on the part of the Philippine government, so far as we know, to cut themselves out of $16,000,000 a year of good American tax money. The amendment does not come from Philippine sources. The Senator from

Arizona was wise enough to see that we were paying $16,000,000 of unnecessary taxes to the Philippine government each year, and getting no benefit for our own people.

It is not a Philippine amendment. It is an amendment to help our own people, and we ought to have that situation very clearly in mind.

Mr. HAYDEN. That is why I prefaced my remarks by stating that I wanted the Senate to look at this bill from the American point of view.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. O'MAHONEY. I understand, from the argument which the Senator has, as always, presented most lucidly, that the only purpose is to exempt from the tax denatured coconut oil which is to be used in the manufacture of soap.

Mr. HAYDEN. That is primarily the use to be made of it.

Mr. O'MAHONEY. Why not use exactly that language and state it in the amendment?

Mr. HAYDEN. If a plant on the Pacific coast were bringing copra from the Philippine Islands and pressing the coconut oil out of it and denaturing it, the coconut oil would be made unfit for food.

Mr. O'MAHONEY. The Senator misunderstands me. The amendment which the committee has reported excepts from the tax coconut oil which has been rendered unfit for use as food or for any but mechanical or manufacturing purposes.

Mr. HAYDEN. That is correct.

Mr. O'MAHONEY. Would the Senator object to striking out the words "but mechanical or manufacturing purposes" and inserting in lieu thereof the words "use except in the manufacture of soap"?

Mr. HAYDEN. One of the manufacturing purposes of coconut oil is that it is used in the manufacture of safety glass. It is the best oil for use in the composition which is put between the panes of safety glass, which is used in automobiles. All kinds of oils have been used in making the composition which is put between the two panes of glass, and coconut oil has been found to be the best oil for that purpose. That use is technical, but it does not interfere with any vegetable oil produced in the United States.

Mr. O'MAHONEY. The Senator's argument is based upon two instances: first, soap, and now safety glass.

Mr. HAYDEN. Yes.

Mr. O'MAHONEY. But the language is broad enough to cover any use.

Mr. HAYDEN. So long as we are protecting the American producer of fats and oils, whose market is for food use, there can be no legitimate complaint.

Mr. O'MAHONEY. But it is not for food use. We are exempting from the tax any coconut oil which may be used for lubrication. We say so.

Mr. HAYDEN. If coconut oil is the best kind of oil to use for lubricating purposes, how does that use in any manner interfere with the fats and oils produced by American farmers, which cannot be used for lubricating purposes?

Mr. O'MAHONEY. It might take the place of some fats or oils that could be used.

Mr. HAYDEN. The facts do not so indicate.

I wish to complete my discussion on the question of inedible tallow. I am sure the Senator from Wyoming is interested.

The figures which I shall put in the RECORD show that in 1912 we used about 333,000,000 pounds of tallow and 99,000,000 pounds of coconut oil. The figures have increased until last year, as shown by the table the Senator has, we used 702,000,000 pounds of tallow and 342,000,000 pounds of coconut oil. What does that mean? It means that the manufacture of soap requires more than 2 pounds of tallow for every pound of coconut oil. It is impossible to make a soap that will lather in any kind of water unless the two are combined. So I think the testimony of the manager of the Los Angeles Soap Co. before the Committee on Finance is very appropriate. He said that coconut oil is the best friend of tallow, because combining it with tallow is the only way in which good soap can be made. Soap must be made cheaply. It is used in every household in the United States, and the market has expanded so that for every pound of coconut oil that has been imported we have had to use two pounds of inedible tallow.

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

Mr. HAYDEN. I yield.

Mr. ELLENDER. Has the Senator a table showing the proportions of tallow and coconut oil used in the manufacture of soap?

Mr. HAYDEN. Yes; I have complete figures. I shall put a number of tables in the RECORD. Table 8 in the publication of May 15, 1939, of the Department of Agriculture, Bureau of Agricultural Economics, shows the fats and oils situation. I shall print that table, which goes back to 1912 and covers every year from then until 1938, showing exactly what fats and oils were used to make soap.

Mr. ELLENDER. Will the Senator at this time read into the RECORD the proportions of inedible tallow and coconut oil used in making soap?

Mr. HAYDEN. That information will also be found in table 9, where the figures are transferred into percentages. In 1938, inedible tallow was 39 percent of the component parts of soap. Coconut oil was 19 percent. Soft oils of all kinds amounted to 14 percent, and the rosins to 6.9 percent. There are three or four principal ingredients of soap. The so-called hard oils are inedible tallow, whale and fish oils, and palm oil. The quick lathering oils are coconut oil, palm-kernel oil, and babassu oil. The soft oils are cottonseed foots, soybean oil, and so forth. Finally, there are the rosins. I shall put the table in the RECORD, showing not only the quantities but the percentages. I defy anyone to make a study of those tables over the past 25 years and not conclude that the use of coconut oil has increased the use of inedible tallow.

Mr. ELLENDER. Mr. President, will the Senator further yield?

Mr. HAYDEN. I yield.

Mr. ELLENDER. According to the table from the Department of Commerce, to which I have just referred, twice as much inedible tallow as coconut oil was used in making soap. Will the Senator point out, in the table to which he has just referred, the proportion of inedible tallow which is used in making soap, in contrast to the coconut oil which is used, let us say, for the past 10 years?

Mr. HAYDEN. Yes. The ratio continues through the years with certain variations. If the Senator will examine the tabulation all the way through, he will find that the ratio is roughly 2 to 1. Taking the totals from the table which the Senator is showing me, slightly more than twice as much inedible tallow as coconut oil was used.

Mr. ELLENDER. Slightly more than twice as much?

Mr. HAYDEN. Some years the ratio is a little more, and sometimes a little less, depending, I suppose, upon the quantities available in the market. However, as these figures will show, the general use throughout the years, covering a 25-year period, is about twice as much tallow as coconut oil.

Mr. President, that concludes the general observations I wish to make. I should like to have the amendment stated.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. O'MAHONEY. Would the Senator object to the amendment which I suggested a moment ago? As the language comes from the committee, it throws open the door of exceptions to any use which may develop in the future. The whole argument of the Senator is dependent upon two uses, soap and safety glass. As I understand his argument, it is that the admission of coconut oil, far from being a detriment to the producer of animal fats, is an assistance to him, because it increases the market for both coconut oil and tallow in the manufacture of soap.

Mr. HAYDEN. That is correct.

Mr. O'MAHONEY. I also understand the Senator to say that animal fats cannot be used in the manufacture of safety glass. Is that correct?

Mr. HAYDEN. That is correct.

Mr. O'MAHONEY. Those are the only two purposes for which it is desired to grant the exemption?

Mr. HAYDEN. I would not say that. The purpose I have in mind is that any use we make in soap, or for any mechanical purpose, shall not be in competition with anything that an American stockman or farmer grows.

Mr. O'MAHONEY. How can the Senator say that when he cannot define all the uses to which tallow may be put?

Mr. HAYDEN. If the Senator will take any one of these tabulations, he will find, first, that tallow cannot go into paint, varnish, linoleum, or printing inks, and other miscellaneous products. Those are mechanical uses of oils. It is simply impossible to use tallow in paint. Other miscellaneous uses of that kind show no use of tallow of any consequence. So there is no particular competition.

Mr. O'MAHONEY. Of course, my only purpose is to see that the amendment is so phrased that, if it is adopted, coconut oil will not become increasingly competitive with animal fats. That is all I am interested in.

Mr. HAYDEN. I am as much interested in that as is the Senator. I am also interested to see that coconut oil shall not come in competition with vegetable oils.

Mr. O'MAHONEY. Let me add vegetable oils, also.

Mr. HAYDEN. My purpose in this matter is simply to try to take off the American people a tax that there is no sense in their paying, which tax, after it is collected, is given to the Philippine Government, which does not need it.

Mr. O'MAHONEY. Mr. President, if we wish to grant an exception for two particular uses, would it not be better procedure to define those uses instead of opening wide the door to some use that we may not be able to foresee?

Mr. HAYDEN. I am not insistent about the matter. When the amendment is stated, if the Senator will prepare an amendment I shall be glad to consider it.

Mr. O'MAHONEY. Let me offer a perfecting amendment now.

Mr. HAYDEN. The committee amendment has not yet been submitted to the Senate.

Mr. CONNALLY. Mr. President, a point of order.

The PRESIDING OFFICER. The Chair calls the attention of the Senate to the fact that there are still two committee amendments which remain to be disposed of.

Mr. HAYDEN. I now ask, on behalf of the committee, that the amendments be submitted to the Senate.

The PRESIDING OFFICER. The committee amendments?

Mr. HAYDEN. Yes.

The PRESIDING OFFICER. The next committee amendment will be stated.

The CHIEF CLERK. On page 19, line 23, after the words "Treasury of the", it is proposed to strike out "Philippines." " and insert "Philippines."

The amendment was agreed to.

The next amendment was, on page 19, after line 23, to insert a new paragraph, as follows:

"(f) Subsection (a) (1) of section 2470 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2470 (a) (1)), is hereby amended by striking out the comma after the words 'coconut oil,' and inserting in lieu thereof the following: '(except coconut oil rendered unfit for use as food or for any but mechanical or manufacturing purposes as provided in paragraph 1732 of the Tariff Act of 1930), and upon the first domestic processing of.' "

Mr. CONNALLY. Mr. President, I make a point of order against the amendment.

The PRESIDING OFFICER. The Senator from Texas will state his point of order.

Mr. CONNALLY. I make the point of order that the amendment proposed is a revenue measure, and, under the Constitution, must originate in the House of Representatives. If the Chair desires argument, I can make an argument; but it is so patent that I feel no argument is necessary.

The PRESIDING OFFICER. The Chair will state to the Senator from Texas that the present occupant of the chair is always delighted to hear arguments from the Senator from Texas, but, under the long-established usage, practice and precedents of the Senate, a constitutional point is not decided by the Chair, but is submitted to the Senate, and the present occupant of the chair will follow that practice.

Mr. CONNALLY. That is agreeable to me. I apprehended that ruling, and I consulted the parliamentary precedents.

The PRESIDING OFFICER. Is the Senator from Texas ready at this time for a vote on the question?

Mr. CONNALLY. I desire to submit some remarks to the Senate.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. CONNALLY. Mr. President, of course, every Senator knows that this amendment affects revenue. It does not make any difference whether it raises revenue or lowers revenue, if the provision relates to the revenue it is a revenue matter, and, under the Constitution of the United States, all revenue bills and all revenue matters, unless affecting a bill coming from the other House and pending in the Senate, must originate in the House of Representatives and not in the Senate of the United States. So, under the ruling of the Chair, the Senate itself is to pass upon the question as to whether the point of order is good or whether it is bad.

All who have served in either branch of Congress know how important it is for each branch to respect the limitations and prerogatives of the other branch. I doubt not if this bill goes to the House, and this provision is contained in it, together with some other provisions that also relate to the revenue, the House of Representatives will not consider the bill—and very properly so—because that is the only way by which the House can require the Senate to observe the constitutional rule in regard to matters of this kind.

Mr. BORAH. Mr. President——

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

Mr. CONNALLY. I yield.

Mr. BORAH. Are there other provisions in the bill dealing with the question of the revenue?

Mr. CONNALLY. There are, and they all originated in the Senate; none came from the House.

Mr. BORAH. None came from the House?

Mr. CONNALLY. No; for the bill is not a House bill; it is a Senate bill. I shall say to the Senator from Idaho, to repeat what I said a moment ago, that there are several other provisions that relate to the revenue, and they all originated in the Senate committee. It is not a House bill at all; and such provisions have no business in the bill. I am sure the Senator from Idaho agrees with that statement, because he knows too well the Constitution and the history of legislative precedents to hold any other view. It is well established that any provision relating to the revenue, whether it raises a duty or lowers a duty—and this amendment, while it does not affect a duty, relates to a domestic processing tax, which is a tax, nevertheless, and it proposes to remove that tax——

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. O'MAHONEY. The Senator will probably be successful in his argument, but, unfortunately, I am necessarily called away from the floor for about half an hour or perhaps longer, and I desire now to offer the amendment which I was discussing with the Senator from Arizona so that it may be before the Senate in the event that the amendment is considered.

Mr. CONNALLY. I yield for that purpose, however, with the reservation that I may then proceed.

The PRESIDING OFFICER. As the Chair understands, the Senator from Texas yields to the Senator from Wyoming for the purpose of offering an amendment to the committee amendment?

Mr. O'MAHONEY. That is correct.

Mr. CONNALLY. Yes; but I shall make the point of order against the amendment as amended.

Mr. O'MAHONEY. The point of order goes against the amendment as amended.

Mr. CONNALLY. It goes against the amendment offered by the Senator from Wyoming as well as the amendment now pending. I do not yield to have the amendment added. I merely yield to have it offered and lie on the table.

Mr. O'MAHONEY. Certainly. At the proper time I shall ask that the committee amendment be perfected in line 4, page 20, by striking out the words "but mechanical or manufacturing purposes" and inserting in lieu thereof the words "use except in the manufacture of soap or of safety glass."

I thank the Senator for yielding.

The PRESIDING OFFICER. As the Chair understands the situation the Senator from Texas yielded only for the purpose of offering the amendment. His point of order goes to the committee amendment, and if the point of order should be sustained, of course, that would obviate the necessity of the Senator from Wyoming offering his amendment to the amendment.

Mr. O'MAHONEY. Certainly; and, as a matter of fact, I am rather inclined to agree with the Senator from Texas in his argument.

Mr. CONNALLY. Mr. President, I am a little disappointed that the Senator from Wyoming, who represents a great cattle-raising State—and the cattle growers are all opposed to this amendment—should seek to sugar-coat it so as to lessen its objectionable features to denature it, so to speak, in order to make it more attractive.

Mr. O'MAHONEY. I am not making it more attractive but making it less disadvantageous to the cattle interests of Texas as well as my own State.

Mr. CONNALLY. I am not for it in any form.

Mr. O'MAHONEY. I agree with the Senator in that regard.

Mr. CONNALLY. And when I am against an amendment, I do not want to make it more attractive to those who might be tempted to vote for it.

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

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

Mr. CONNALLY. I yield.

Mr. DANAHER. I should like to ask the Senator from Texas a question as to whether or not the point of order he has raised would not apply to the whole bill.

Mr. CONNALLY. I have not made it to the whole bill. A point of order may be made at any time to any portion of the bill. I will say to the Senator that I have marked a number of provisions of the bill which I think are subject to a point of order, but I did not care to go through the bill seriatum. I was interested primarily in this particular amendment.

I desire to say that, aside from the constitutional argument, it is very bad policy and very bad precedent for either House to fail to observe the amenities that ought to control. What would the Senate think if the House undertook to pass on a treaty or raise a complaint about some confirmation which was within the exclusive jurisdiction of the Senate? Of course, we would take appropriate action to show our displeasure.

Mr. President, I desire to read briefly from the precedents. I read from Hinds' Precedents of Procedure in the House of Representatives:

> The House having questioned a Senate amendment providing a tax on incomes on a nonrevenue bill, the Senate withdrew the amendment.

In other words, the Senate, when its attention was called to a tax provision that was in violation of the constitutional requirement that revenue matters shall originate in the House, respected the privileges of the House, and withdrew the amendment. That occurred on the 30th of June 1864.

Mr. Thaddeus Stevens, of Pennsylvania, submitted the resolution on the subject, which was as follows:

> *Resolved*, That the amendment of the section, being section No. 12, added by the Senate to House bill No. 549, in the opinion of this House, contravenes the first clause of the seventh section of the first article of the Constitution of the United States, and is an infringement of the privileges of this House, and that the said bill, with the amendments, be respectfully returned to the Senate with a message communicating this resolution.

The House sent the bill back to the Senate; and the Senate recognized the propriety of the action of the House, and acquiesced in it.

> The bill (H. R. 549) further to regulate and provide for the enrolling and calling out the national forces had been returned from the Senate with amendments, among which was No. 12, providing for a 5-percent duty on all incomes. * * *
>
> Mr. Stevens said: "It is so clearly a violation of the privileges of the House that I think it ought not for a moment to be acquiesced in."
>
> Without further debate the House agreed to the resolution.
>
> The same day a message from the Senate announced that they, on reconsideration, had again passed the bill with all amendments previously concurred in except the section objected to by the House.

I do not want to weary the Senate but the precedents are uniform with respect to this question. I find here an argument by Senator Spooner, of Wisconsin.

Mr. TYDINGS. Mr. President, will the Senator yield for a question?

Mr. CONNALLY. I yield.

Mr. TYDINGS. Was this tax added to the original bill in the Senate or in the House?

Mr. CONNALLY. It was added in the Senate on a House revenue bill.

Mr. TYDINGS. I did not remember as to that.

Mr. CONNALLY. The tax was levied in 1934 on my motion when the Senate was considering a general tax bill, a revenue bill, and, under such a condition, the Senate has a right to amend a revenue bill. If the House sends to the Senate a revenue bill, the Senate, under the Constitution, has the explicit right to amend it. That is the way the tax was originally placed in the statute. It was placed there by an amendment offered by myself to a general revenue bill, not a Filipino bill.

Mr. President, I wish to take issue with the Senator from Arizona, however much I regret to disagree with him about any matter of general importance, on his statement regarding the great advantage of repealing this tax. The repeal of this tax will help nobody on earth except the soap manufacturers of the United States. They have been before the Committee on Finance repeatedly. I know them all. I see some of them in the gallery now. Did the price of soap change any after we put on this infinitesimal tax? Did soap cost any more a bar? Not a cent. That has been developed by the committee.

What are the facts? The facts are that every other country on earth has to pay 5 cents a pound on any coconut oil it sends into the United States. In the case of the Philippines we levy no tariff duties whatever on their coconut oil, but we simply levy this 3 cents a pound processing tax. The result has been that, under the law, the Philippines now have an absolute monopoly of the coconut-oil business in the United States. The figures here show that only 15,000 pounds, as I recall, come from other countries. I have the table here somewhere.

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

Mr. CONNALLY. I yield.

Mr. FRAZIER. We not only levy the 3 cents a pound tax, but we return it to the Philippines after it is collected.

Mr. CONNALLY. It is one of the main sources of revenue of the Philippine government. The provision referred to by the Senator from North Dakota was made on motion of the Senator from Nebraska [Mr. NORRIS]. When we adopted this tax originally it was provided that the amount received from the processing tax on coconut oil should be handed over to the Philippine government, and the Philippine government is deriving a very substantial income from this particular tax. Its repeal is not asked for by the Filipino authorities. The Philippine government have not asked that this tax be repealed; because if they had, it would have been in the original bill, probably; but in conversation with representatives of the Philippine government I have been assured that they are not asking that this tax be repealed.

What are the facts? The Senator from Arizona says the importation of coconut oil is a great advantage to animal fats. He also says that the importations have not lessened in volume since the tax was imposed. If that is true, then the tax has had no effect on the importation. Importations have been coming in, so the Senator from Arizona says, all the time. If that is true, unless we get cheaper soap by

the bar, who is it going to benefit except Procter & Gamble and a few other soap manufacturers in the United States? Mr. Procter and Mr. Gamble are the chief advocates of the repeal of this tax, because they have been before the Finance Committee, as will be testified by other members, repeatedly, not once but at many sessions of the Congress. They have made a regular groove in the marble floors in the Senate Office Building by walking back and forth to the Finance Committee.

Who is on the other side in this fight? The soap manufacturers are on one side. I read from the American Farm Bureau Federation. They are opposed to this amendment. They say it benefited vegetable fats in the United States. Who else is opposed to it? I have here resolutions from the American Cattle Raisers' Association. They are opposed to this amendment. I have here a resolution from the Domestic Fats and Oils Conference, whose slogan is to protect and further the production of domestic fats and oils until such production reaches our domestic requirements. They are against this amendment.

It is said that this tax has done no good. Let me say to you, Senators, that when the tax was originally adopted it resulted within a very short period of time in raising the price of domestic fats and oils in the United States. I know that in the case of cottonseed the price of cottonseed advanced from $18 a ton to practically $30 a ton within a very short time after the levying of this tax; and it had a similar effect on other vegetable and animal fats in the United States.

Oh, but it is said that if the fat is rendered inedible, if it is denatured, it will do no harm. Let me say to you that experts appearing before the Finance Committee have testified that many of these oils and fats are interchangeable by chemical treatment. For instance, tallow may be inedible, or it may be edible. The point is made in these articles that if the tallow that is being used for inedible purposes is driven from soap making by the use of so much coconut oil, it is driven into the edible class.

Mr. HAYDEN. Mr. President, will the Senator yield at that point?

Mr. CONNALLY. Yes.

Mr. HAYDEN. Is the Senator aware of the source of inedible tallow in the United States?

Mr. CONNALLY. The Senator means where it comes from?

Mr. HAYDEN. Yes.

Mr. CONNALLY. No; not entirely.

Mr. HAYDEN. I can tell the Senator where it comes from.

Mr. CONNALLY. I shall be very glad to have the Senator do so.

Mr. HAYDEN. It comes principally from garbage cans. That is what this whole fight is about. Of the 702,000,000 pounds of inedible tallow which is shown on the table the Senator from Texas has in his hand, over 500,000,000 pounds came out of garbage cans. It is tallow that was recovered in that manner. That is to say, those who collect it go to hotels and to hospitals and to chain stores, they go everywhere that they can pick up scraps of meat of any kind, to render the tallow out of it. That is where 70 percent of the inedible tallow comes from.

It is claimed that there is competition between coconut oil and the tallow that comes from garbage. I should like to have the Senator, if he will be kind enough, explain to me how any cattle grower in Arizona or any cattle grower in Texas is benefited by gathering up garbage and taking the tallow out of that garbage and sending it to market. When we sell a steer in Arizona or Texas we sell him on foot. We sell him at his meat price, and that is the way we get our price for him. If the meat scraps are gathered up afterward and the tallow is pressed out of them, and that tallow goes to market, if it is doing anything it is competing against our livestock industry.

Mr. CONNALLY. I do not agree with that conclusion.

Mr. HAYDEN. I can prove conclusively that the great majority of the tallow that goes into soap is inedible, and it would continue to be inedible. If they attempted to put it into food they would violate every health law we have in the United States.

Mr. CONNALLY. I do not know about the argument of the Senator.

Mr. NORRIS. Mr. President, will the Senator yield at that point?

Mr. CONNALLY. I yield.

Mr. NORRIS. I may be entirely wrong about this matter, but I am satisfied in my own mind that in the interruption the Senator from Arizona has just made he has been a little too harsh in calling this a garbage collection. My understanding differs somewhat from his. I do not believe it is right to say that this inedible tallow is taken out of a garbage can.

My understanding is that if the Senator from Texas should go into an ordinary butcher shop and buy some steak, the man who ran the butcher shop would weigh the steak. After he had weighed it he would cut off the ragged edges, he would cut off some tallow, and he would throw it not into the garbage can but into a receptacle containing it, being part of the steak which the Senator from Texas had purchased. A great deal of that tallow accumulates in the course of the day. I do not believe it is thrown into the garbage can. If the steak went to a hotel, and the hotel employees were going to prepare it for food in the dining room, they would probably cut off some more tallow. Perhaps the original butcher had left some straggling pieces on it. The hotel employees would cut off some more of the same steak that the Senator had bought and paid for, including the part of the steak that had been cut off which he did not get, and the hotel would accumulate that kind of material. The employees would not throw it into the garbage can. It has some value. The butcher does not throw it into the garbage can. It is purchased without ever going into a garbage can. I do not believe anybody goes around and looks over garbage cans and picks out anything that might be useful.

Mr. HAYDEN. Will the Senator agree, though, that once having been cast aside, that kind of fat should not again be made edible? That is the whole point.

Mr. NORRIS. That may be true or it may not be true. Some customers do not want any of the tallow cut off. They want it left on. They want it there when the steak is wrapped up, and in that case the butcher, of course, would leave it on; but the steak looks better without part of the tallow, it makes a nicer looking piece of meat, and most of the persons who purchase meat probably do not use that part of it. They themselves might throw it away. That might be true, but the tallow is not something that is confined to the garbage can because of any inferiority that it possesses. It is just as clean as the steak itself. It is accumulated by the butcher, and he sells it. After having once sold it as steak he sells it again.

I am only raising the point that the term "garbage can" has a harsh sound. I do not believe it is properly applied in this instance by the Senator from Arizona.

That is all I wanted to say.

Mr. CONNALLY. I thank the Senator from Nebraska very much, because if the tallow is good when it came off the meat in the shop, when it is trimmed off, there is no reason why it should not be just as edible as the piece next to it that was left on the steak. I do not know how much of it goes into the garbage can; but that is beside the question.

Mr. President and Senators, I want to revert for just a moment to another matter. I do not see how any Senator can contend that this is not a revenue provision.

Allow me again to refer to the precedents:

Senator SPOONER—

That was John C. Spooner, of Wisconsin—

Senator SPOONER. Mr. President, I wish to say a word, and only a word, about this matter. I never supposed when the act was passed that the draw-back clause included wheat and some other items. But I cannot agree with the Senator from Alabama, and I do not quite agree with the Senator from Ohio, although I do not care to enter into a discussion of the question. I think the clause

of the Constitution which says "all bills for raising revenue shall originate in the House of Representatives" uses the word "raising" in a generic sense. I do not think it means simply raising duties. Oftentimes revenue is raised by lowering duties. I think it means, in a strict sense, affecting revenue * * * concerning revenue. The Constitution does certainly confer upon the House by that clause an exclusive right, so far as this class of measures is concerned. Tariff bills cannot originate in the Senate. That is an impossibility.

This is an agricultural appropriation bill.

Then he proceeds at great length, and at the conclusion the RECORD states:

On motion of Mr. Spooner, the passage and engrossment of the bill was reconsidered, and the objectionable amendment was disagreed to. The bill was then engrossed, read a third time, and passed; and then returned to the House of Representatives.

Mr. President, I shall not weary the Senate with more questions; but if any Senator has any doubt about it being a revenue measure, I shall ask the Senator from Arizona, while he is on his feet, whether he does not regard this as a revenue measure.

Mr. HAYDEN. I do not, and I propose to tell the Senate why.

Mr. CONNALLY. It does not affect the revenue?

Mr. HAYDEN. It does not affect the revenue in the sense used in the Constitution. This is a constitutional question, and constitutional questions are determined by the courts.

Mr. CONNALLY. Oh, no; we have a duty in that regard, as well as the courts.

Mr. HAYDEN. But this question has been raised a number of times in the courts—that bills raising revenue originated in the Senate and therefore were unconstitutional. I merely wish to read from a few Supreme Court decisions on that question. They are all based upon a statement made by Mr. Justice Story. This is what Mr. Story said—and I think he is a pretty good authority on the Constitution:

And, indeed, the history of the origin of the power already suggested abundantly proves that it has been confined to bills to levy taxes in the strict sense of the words, and has not been understood to extend to bills for other purposes which may incidentally create revenue.

Mr. CONNALLY. That was a bill affecting postage, was it not?

Mr. HAYDEN. This is Story on the Constitution.

Mr. CONNALLY. It was with respect to a bill in which the rates of postage were increased?

Mr. HAYDEN. No; this is Story on the Constitution.

Mr. CONNALLY. I know that——

Mr. HAYDEN. Then the Supreme Court quotes Mr. Story.

Mr. CONNALLY. I would rather the Senator would not take my time to read all those decisions.

Mr. HAYDEN. I understood the Senator yielded.

Mr. CONNALLY. I asked the Senator for his opinion, not Mr. Story's opinion. He says it is not a revenue measure.

Mr. HAYDEN. I do not think so.

Mr. CONNALLY. If it is not a revenue measure, and the Senator from Arizona says it is not a revenue measure, why does he provide for a repeal of the 3-cent tax? That is revenue, is it not? There is a domestic processing tax of 3 cents a pound. It has nothing on earth to do with anything in the Philippine Islands. The tax is levied, not when the article is imported, but after it comes to the United States and after it is processed in the United States. There is no matter relating to the internal affairs of the Philippine Islands, but it relates to a domestic, United States tax, and it takes the tax off.

Mr. President, I said the soap people were the ones who were making this argument. I have here a long printed argument, "Petition of soap industry to the Committee on Territories and Insular Affairs in support of the amendment of Senator HAYDEN relating to coconut oil. John B. Gordon, secretary." I will not read it all. Nobody is interested, so far as I can discover, except the soap manufacturers. Have they reduced the price of soap? They have not. Will they reduce the price of soap? They will not. We hear statements about lauric acid, it being said that no other oil contains any lauric acid except coconut oil. Very well. This coconut oil is imported in the same volume with the tax or without the tax. If that be true, no one is hurt by the tax except the soap people, who want larger profits.

How much was it Procter & Gamble paid their president last year? There was some testimony before the Committee on Finance as to what they paid the president of the company. I cannot recall the figure now, but I shall check up on it and insert it in the RECORD. I am sure that Procter & Gamble's representative, who is in the gallery, will be glad to tell me about it when the session is over. [Laughter.]

Mr. President, the tax has resulted in benefit to domestic vegetable and animal fats. At least it has convinced the representatives of every farm organization I know of, such as the Grange and the American Farm Bureau Federation. The dairy representatives are here asking that this tax be retained; the representatives of the cattle associations are here asking that the tax be retained; the representatives of the fishing industry of the United States, who manufacture fish oil, are here asking that the tax be retained. It is now up to the Senate.

Mr. President, I shall insist on a vote on the point of order on the ground that this is an amendment affecting the revenue and therefore is not to be considered in the Senate but must originate in the House of Representatives.

Mr. HAYDEN. Mr. President, let us see what the effect would be if the Senate should adopt the amendment and it turns out to be an amendment affecting the revenue. Similar instances have happened a great many times in the history of this Government. The Senate, believing that it was acting within the Constitution, would pass a bill, and the House in its judgment would say we did not have a right to do it because it violated a provision of the Constitution. So they would send the bill back to us, and there would be no legislation unless it originated in the House.

In this case the House at least would have the advantage of knowing what the Senate thought about the legislation. No harm can come to anyone if we act favorably upon the amendment. No harm can come to the Senate. We cannot offend anyone. The most the House can do will be to say, "We will not consider the bill you sent over to us."

This whole constitutional provision in practice is more or less of a farce, as the Senator from Texas has pointed out. The House can pass any kind of a minor revenue bill, and we can attach a whole tariff bill to it, because the House has first acted on some item of revenue legislation.

I insist that this is not a revenue measure such as the House would object to, for the very good reason the Senator from Texas pointed out, except that he did not state all the facts. This is a revenue measure for the Philippine government, but not for our Government. I have the facts here. We have collected in 4 years, from 1935 to 1938, inclusive, $65,533,000, which we have sent back to the Philippine Islands. That is not American revenue, it is Philippine revenue which we collected and gave to them. The only kind of revenue that could be affected would be revenue which would go into our own Treasury.

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

Mr. HAYDEN. I yield.

Mr. VANDENBERG. I am particularly anxious to get some information on that precise point.

Mr. HAYDEN. Very well.

Mr. VANDENBERG. I understand the pending bill is intended to stabilize the Philippine economy, to facilitate their safe independence ultimately. I also understand that the tax revenue the Senator is proposing to take away from them represents one-third of their budgetary income. I should like to know whether any consideration has been given to what this would do to the finances of the Philippine Islands, whether or not we would be unstabilizing them at one point when we were proposing to stabilize them at another.

Mr. HAYDEN. The Senator is mistaken in that respect, because the American collections of the 3-cent tax on coconut oil does not constitute one-third of the Philippine revenues. But that has nothing to do with the point of order. It only strengthens my objection to the point of order, in that it is Philippine revenue we are dealing with and not American revenue. What American revenue is affected by the amendment?

Mr. VANDENBERG. Mr. President, if the Senator will permit further——

Mr. HAYDEN. I yield.

Mr. VANDENBERG. Let me inquire whether any consideration has been given to the effect of this proposed repeal upon Philippine revenue.

Mr. HAYDEN. Certainly I gave consideration to it, and, of course, I would not urge it if I thought it would result in wrecking the Philippine government. If the Philippine budget is to be balanced and kept in balance—as it has been; Frank Murphy attended to that when he was the Governor General over there—and if it depends upon our continuing to collect taxes from the American people in order to balance it, then I think it is time to consider whether we want to keep on taking money out of the pockets of our people to balance the Filipino budget.

Mr. VANDENBERG. Precisely, but that is a totally different matter.

Mr. HAYDEN. Not at all. The Philippine government has always raised sufficient revenue by taxing their own people.

Mr. VANDENBERG. The Senator is proposing an amendment to assist the Philippine Islands, but I want to know whether it assists them to take away one-third of their revenue.

Mr. HAYDEN. All I am proposing to do is to take away two-thirds of $16,000,000. One-third of the tax will continue to be collected on the coconut oil that is edible, which will amount to five or six million dollars to be remitted to the Philippine government. I am not proposing to disturb that, but I am proposing that the tax on the inedible oil be reduced. It means that instead of transmitting some $16,000,000 we will send five or six million to the Philippine Islands, a saving of $10,000,000 to the American people.

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

Mr. HAYDEN. I yield.

Mr. NORRIS. The Senator is now making the point that this is not a measure for raising revenue for the United States but for the Philippine Islands.

Mr. HAYDEN. That is correct.

Mr. NORRIS. I do not believe it would be any less a revenue measure because we would, after we had collected the money, give it back to the Philippine Islands. The Government of the United States has to collect the revenue, it does everything just the same as it does with any other revenue, but after it has collected it, it uses it for a special purpose. The constitutional provision does not apply any more to that kind of a case than though we use the money for relief, or for general governmental purposes. In other words, the Senator makes the point that the Constitution does not apply to this kind of revenue because we are going to pay it to the Philippine Islands when we get it. It seems to me perfectly clear that it is still a revenue measure, regardless of what we do with the money when we collect it, and that, as a matter of the constitutionality of the particular provision, what we are going to do with the money after we get it has nothing to do with it.

Mr. HAYDEN. I am not a lawyer, but I am just looking at the question in a common-sense way, that if we are collecting a tax for the American people and giving it to the Philippine government, certainly it is not revenue which helps to maintain the American Government.

Mr. NORRIS. The Constitution does not provide it has to be revenue that will help to maintain the American Government. The Constitution imposes no limitation whatever. It is our money after we collect it. We can do with it what we please. The Government collects the money just the same as though it were going to put it in its pocket. The fact that the measure which provides for levying the tax also contains a provision as to what shall be done with the money does not make it constitutional to originate the measure in the Senate, as I see it.

Mr. HAYDEN. There is a constitutional question here as to the tax collected from the other American possessions. There is a 3-cent tax collected on coconut oil which comes from Guam or from American Samoa. That amounted to an average of $188,000 a year. Then there is a 5-cent tax collected on coconut oil from all over the world which amounted to $65,000 a year. That makes a total of about $250,000 a year.

In my simple businessman way of reasoning things, if for every $1 of revenue that we lose $64 is collected and sent to the Philippines, it seems to me that this is not a revenue measure, and that we have to adopt a strictly legalistic definition of what is revenue if we do not look to the practical effect of where the money goes after we collect it.

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

Mr. HAYDEN. I yield.

Mr. BARKLEY. The thing which bothers me in connection with this subject is the language of the Constitution itself, which does not seem to draw any distinction concerning what sort of a revenue bill it is, or what sort of a tax it is, or the purpose for which the money is to be expended. It simply says that all bills for raising revenue shall originate in the House of Representatives. If this is a bill for raising revenue, no matter what happens to the revenue after it is raised, I would feel that probably we had no jurisdiction to originate it.

Mr. HAYDEN. I should be inclined to agree with that statement.

Mr. BARKLEY. That raises the question whether a bill, one of whose purposes is something else than to raise revenue, but has revenue-raising provisions in it, still comes within the constitutional provision. I am afraid it does, to be perfectly frank with the Senator. Is it necessary to have these revenue provisions in the bill?

Mr. HAYDEN. Oh, yes.

Mr. TYDINGS. Mr. President, the trouble is that some of the revenue provisions were put in the original bill, and incidentally the original bill originated in the Senate.

Mr. BARKLEY. Does the Senator mean the original Philippine bill?

Mr. TYDINGS. Yes.

Mr. BARKLEY. That question may not have been raised, and the fact that it was not raised does not preclude it from being raised at any time in the future, if it is a good point.

I will say to the Senator that the other body has sometimes been a little squeamish with respect to its jurisdiction over revenue bills. I think sometimes there has been very serious doubt whether a bill was a revenue bill. Recently we had a discussion of that subject in connection with a measure which did not raise any revenue, but it proposed to amend a revenue bill, and amend it in an entirely different particular. It had nothing to do with revenue. But the House took the position that inasmuch as it was an amendment to a bill which originated in the House, and carried revenue provisions, although our amendment did not touch the revenue, it was still outside of our jurisdiction to inaugurate.

Mr. HAYDEN. Mr. President, here is the case of the *Twin City Bank* v. *Nebeker* (167 U. S. 196), a case which was passed on by the Supreme Court of the United States. I will not read the whole opinion. At one point it says:

> It is sufficient in the present case to say that an act of Congress providing a national currency secured by a pledge of bonds of the United States, and which, in the furtherance of that object, and also to meet the expenses attending the execution of the act, imposed a tax on the notes in circulation of the banking associations organized under the statute, is clearly not a revenue bill. * * *

The bill levied a tax to raise revenue, but it was not a revenue bill. The primary purpose of the pending bill is to adjust the differences between the United States and the Philippines in their commercial relations.

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

Mr. HAYDEN. I yield.

Mr. CONNALLY. Is it not true that in the case from which the Senator just read the primary purpose was to regulate the bank, and as an incident to the service they levied a fee or charge on these notes, just the same as in the case of the bank examiner who comes around and examines the banks, for which a charge is made? But that is not revenue. That is not the purpose of the legislation at all. It is just an incident in the execution of the

general regulatory power. But here they boldly and openly and defiantly urge that the legislation is for the purpose of affecting the revenues.

Mr. BORAH. Mr. President——

The PRESIDING OFFICER. Does the Senator from Arizona yield to the Senator from Idaho?

Mr. HAYDEN. I yield.

Mr. BORAH. The very object of the amendment is to change the revenues, is it not?

Mr. HAYDEN. No, Mr. President. The object of the amendment, as I see it, is to avoid taking money away from the American people and giving it to the Philippines.

Mr. BORAH. Yes; but in order to do that a change in the revenue law must be effected.

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

Mr. HAYDEN. I yield.

Mr. McKELLAR. I may call attention to the wording of the bill:

Subsection (a) (1) of section 2470 of the Internal Revenue Code * * * is hereby amended.

The Senator in terms is proposing to amend the revenue act of the country, and of course it affects the revenue.

Mr. HAYDEN. Yes. I think if the bill goes back to the House with this amendment it will not be the only objection to it, because the same thing was done, as has been pointed out, in other places of the bill. We cannot get into the broad subject of the relationship between the United States and the Philippine Islands without in some manner changing a tariff or a revenue law, and if we are to take this view then no legislation can be initiated in the Senate at all. It has to be begun only in the House.

Mr. BORAH. That might very well be true, but the Senate could not initiate the legislation with regard to the Philippines if the legislating in regard to the Philippines changed the revenues of the country. That would have to be done in the House. The control with respect to the question is whether or not you are dealing with the question of revenue, and if you stick it onto another bill dealing with any other kind of a proposal my opinion is that with the experience we have had here the House will send it back.

Mr. HAYDEN. What harm would it be?

Mr. BORAH. There would be no harm if they sent this bill back.

Mr. HAYDEN. After all, it will not do a bit of harm. If out of perhaps an excess of enthusiasm for some subject we pass a bill and the House does not like it, they do not have to pass it. We have the same privilege here with respect to bills originating in the House. It is a mere formality.

Mr. McKELLAR. No; we are sworn to uphold and defend the Constitution of the United States. The Senator cannot regard it as a formality.

Mr. HAYDEN. I would not. And as a matter of fact I do not think that we are in any way affecting the Federal revenues in the present case.

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

Mr. HAYDEN. I yield.

Mr. SMATHERS. Will the Senator indulge me with an explanation as to who will be benefited if we remove the tax? Will the resulting benefit be passed on to the consuming public, or will it go to the soap manufacturers?

Mr. HAYDEN. The statement has been made, and I have seen it in all this lobbyist literature which has been sent to Senators, that when this tax was imposed the price of soap was not increased in the United States. The best evidence that such statements are not true was what was brought out in the hearings on the tax on fats and oils before the Committee on Finance of the United States Senate. Here are charts made by the Bureau of Labor Statistics of the Department of Labor, showing the wholesale prices of soaps, and in each case, after the tax was levied, the price of soap was increased. If the Senator will look on pages 344, 345, 346, and 347 of the hearings before the Senate Committee on Finance he will see that in every case after 1934 the price of soap of every kind in the United States went up. Why did it go up? Because the manufacturers had to pay more for their coconut oil.

The Senator from Texas mentioned Procter & Gamble. The only person connected with Procter & Gamble I ever talked to was their attorney, who happened to be on the ship with me when I went to the Philippine Islands—Mr. Frank Dinsmore from Cincinnati.

Mr. CONNALLY. The Senator understands that I did not make any intimation of anything improper.

Mr. HAYDEN. No; I understand that, but I stated where I received the information. He said that so far as Procter & Gamble was concerned, with the wide advertising that they had of Ivory Soap, it was a matter of indifference to them whether this tax was on or off, because they were going to use the coconut oil anyhow, and they would add the tax to the cost of the Ivory Soap. That is exactly what they have done, and the proof of it is these charts from the Bureau of Labor Statistics, showing that after the tax was levied the price of all kinds of soap in the United States did go up.

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

Mr. HAYDEN. I yield.

Mr. CONNALLY. That was the wholesale price, was it not?

Mr. HAYDEN. Surely.

Mr. CONNALLY. Here is some testimony also on that subject before the Committee on Finance of the United States Senate. Someone representing the farm group testified as follows:

However, one of the remarkable things about the soap industry, one of the mysterious things, is that from 1926 through and including 1928 the price of laundry soap has not varied as much as a cent a pound. For each of the years 1934, 1935, 1936—

The years given in the testimony must have been 1936 and 1938.

Mr. HAYDEN. Who was the witness?

Mr. CONNALLY. I think it was Mr. Loomis.

Mr. HAYDEN. Mr. Loomis is the lobbyist who represents those who gather inedible fats from the garbage cans.

Mr. CONNALLY. He represents all those who deal in fats.

Mr. HAYDEN. No; his principal clients are those who gather up the scraps of fats throughout the United States. They are the people who are paying Mr. Loomis.

Mr. CONNALLY. I cannot agree to that. But I know he is not on the soap end of it, because he fights the soap people.

Mr. HAYDEN. I read that testimony by Mr. Loomis and then called up the Bureau of Labor Statistics in the Department of Labor, and said, "I have seen this remarkable statement that there was no increase in the price of soap after the excise tax on coconut oil was imposed. That statement has been repeated by a number of agricultural leaders. How could that be?" They told me that they could not understand it, because there had been increases in the price of soap, both wholesale and retail, since 1934. So the Senator is quoting a very unreliable witness.

Mr. CONNALLY. I know the testimony will not suit the Senator. This is what it says:

For each of the years 1934, 1935, 1936, 1937, and 1938 the official price quotation was 4.067 cents per 11-ounce cake.

I presume that is the retail price. When one goes to the store and buys one cake of soap it costs him, on an average, 4.067 cents. At any rate it is the official price.

During those years the prices of the materials, both the hard fats and the soft fats, have varied considerably with the producers. At the same time laundry soap prices have not varied materially from 1929 to 1938.

This large soap company—Procter & Gamble—has made substantial profits ranging from $19,000,000 in 1929 down to a low of nine-million-and-odd dollars in 1932, up to a possible high of $26,803,000 in 1937, and back to $17,439,000 in 1938.

I shall not consume more of the time of the Senate at this moment.

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

Mr. HAYDEN. I yield.

Mr. ELLENDER. In connection with the statement just made by the Senator from Texas, let me give the prices of

coconut oil since 1930. Before I do, let me say that coconut oil enjoys a special freight rate. I quote freight rates on vegetable oils in carload lots:

Interstate Commerce decision for Louisiana ports, Jan. 6, 1938, Order No. 169621; Interstate Commerce decision for Gulf and eastern ports, Nov. 27, 1936, Order No. 161891

From—	To Cincinnati, Ohio				To Chicago, Ill.			
	Mileage	Freight on domestically produced oils	Freight on foreign-produced oils		Mileage	Freight on domestically produced oils	Freight on foreign-produced oils	
			A	B			A	B
		Cents	*Cents*	*Cents*		*Cents*	*Cents*	*Cents*
New Orleans, La	836	56	31	28	915	58	39	36
Mobile, Ala	739	52	33½	30½	864	56	39	36
Savannah, Ga	715	51	33½	30½	991	62	39	36
Jacksonville, Fla	806	55	33½	30½	1,000	65	39	36
Charleston, S. C	701	51	33½	30½	977	61	39	36
Baltimore, Md	559	38	31	31	767	46	39	39
Norfolk, Va	658	41	31	31	914	49	38½	38½

Mr. TYDINGS. Mr. President, will the Senator from Louisiana yield?

Mr. ELLENDER. I do not have the floor. In just a moment I will be through with my questions.

The PRESIDING OFFICER. The Senator from Arizona [Mr. HAYDEN] has the floor. Does the Senator from Arizona yield; and if so, to whom?

Mr. HAYDEN. I shall be very glad to have such prices put into the RECORD.

Mr. ELLENDER. The coconut-oil prices from 1930 to 1938, per pound, are as follows: 1930, 7.3 cents; 1931, 5.3 cents; 1932, 4.5 cents; 1933, 4.2 cents; 1934, 3.9 cents; 1935, 4.7 cents; 1936, 5.3 cents; 1937, 6.3 cents; and in 1938, 3.4 cents. I ask the Senator from Arizona what fluctuation there has been in the price of soap from 1930 to 1938. With such variations in price soap should have sold much cheaper at times, but I wager the record shows no variation in prices.

Mr. TYDINGS. Mr. President, will the Senator from Arizona yield?

Mr. HAYDEN. I yield.

Mr. TYDINGS. I hope the Senator will not think I am captious, or desire to cut off the argument. However, it seems to me the question whether the amendment is good or bad has no place in this argument.

Mr. HAYDEN. I agree.

Mr. TYDINGS. Obviously, until we decide whether or not the amendment is a revenue measure, the other argument is incidental. If it is decided that it is not a revenue measure, then the arguments pro and con can properly be presented. However, if it is decided that it is a revenue measure, and not properly in the bill, we shall have consumed in debating the merits much time which we might otherwise save. I was only going to suggest—with an apology, of course—that if Senators care to discuss the merits of the constitutional question, that is one thing. However, we are not getting anywhere when we discuss the merits of the proposal as detached from the constitutional question.

Mr. HAYDEN. Mr. President, I entirely agree with what the Senator from Maryland has said. I would not have gone outside the constitutional argument except that certain statements were made which are not in accord with the facts as I understand them to be.

Mr. ELLENDER. Should the point of order made by the Senator from Texas be not maintained, I desire to further discuss the provisions of the bill.

Mr. HAYDEN subsequently said: Mr. President, during the course of my remarks I promised to insert certain tables in the RECORD. I should like permission to do so, and to have them printed as exhibits at the end of my remarks.

The PRESIDING OFFICER. Without objection, permission is granted.

The tables referred to are as follows:

EXHIBIT A

DEPARTMENT OF COMMERCE,
BUREAU OF THE CENSUS,
Washington, March 18, 1939.

FACTORY CONSUMPTION OF ANIMAL AND VEGETABLE FATS AND OILS, BY CLASSES OF PRODUCTS, FOR 1938

The distribution of primary animal and vegetable fats and oils consumed in factory operations in the United States during the calendar year 1938, by classes of products in which used, is presented in the tabular statement below. Data for oleo stock were not collected; hence the secondary products, edible animal stearin, and oleo oil are shown. The statistics were compiled from the quarterly reports of the several concerns to the Bureau of the Census, supplemented by special statements covering the entire year for those manufacturing more than one class of products.

The total consumption in all industries for each item is the same as given in the bulletin for 1938, except for those vegetable oils for which the crude and refined products are indicated in the questionnaire, namely, cottonseed, peanut, coconut, corn, soybean, palm-kernel, palm, and babassu oils. For each of these a net consumption was arrived at by deducting from the total of both crude and refined consumed the quantity of refined produced.

Oils subjected to the process of hydrogenation or other treatment for special uses were reported as consumed in the products for which intended. For example, oils treated for soap manufacture were entered in the column headed "Soap" and oils intended for edible purposes were entered in one or more of the columns covering edible products. The ultimate uses of the primary oils are designated in this way.

Factory consumption of primary animal and vegetable fats and oils, by classes of products, calendar year 1938

[Quantities in thousands of pounds]

Kind	Total	Shortening	Oleomargarine	Other edible products	Soap	Paint and varnish	Linoleum and oilcloth	Printing inks	Miscellaneous products	Loss including foots
Total	4,634,135	1,512,299	310,936	377,055	1,468,535	357,625	85,362	21,884	264,877	235,562
Cottonseed oil	1,528,805	1,040,162	142,857	198,155	2,883	184		168	2,971	141,425
Peanut oil	62,461	52,402	3,593	1,920	545				32	3,969
Coconut oil	555,017	26,199	89,521	61,493	342,982	422		2	3,572	30,826
Corn oil	72,770	399	566	57,104	2,514	118			3,345	8,724
Soybean oil	243,613	143,318	39,885	11,280	10,897	15,183	3,605	59	5,340	14,046
Olive oil:										
Edible	2,990			2,850	31				109	
Inedible	4,248				1,299	6			2,943	
Sulfur oil or olive foots	15,378				15,013				365	
Palm-kernel oil	51,962	614	4,746	13,118	29,498				40	3,946
Palm oil	253,150	115,033		444	91,642	1		9	19,905	26,116
Babassu oil	32,468	950	11,545	8,969	8,289					2,715
Sesame oil	7,568	5,435		1,573	302				24	234
Rapeseed oil	5,317	297			55	131	2	1	4,831	
Linseed oil	298,481	6			1,455	216,568	55,395	16,804	8,253	
Tung oil	87,415					78,310	4,131	2,084	2,890	
Perilla oil	32,649					23,528	6,952	1,762	407	
Castor oil	28,160				1,810	5,283	1,313	200	19,554	
Other vegetable oils	31,952	695	70	6,525	14,031	1,912	115	106	7,304	1,194
Lard	9,925	2,825	1,464	5,518	1			2	20	95
Edible animal stearin	41,616	32,845	3,278	5,074	240				144	35
Oleo oil	14,235	291	13,411	40	119	2			323	49
Tallow:										
Edible	78,320	74,251		2,992	332			2	557	186
Inedible	764,041				702,267	117		4	61,437	216
Grease	182,767				96,356	144	1	420	85,083	763
Neat's-foot oil	4,757				20	9		2	4,726	
Marine animal oils	70,664	48			66,080	28		5	4,467	36
Fish oils	153,406	16,529			79,874	15,679	13,848	254	26,235	987

EXHIBIT B

DEPARTMENT OF COMMERCE, BUREAU OF THE CENSUS

[Extract from table 8]

Factory consumption of primary animal and vegetable fats and oils, by classes of products, 1931–38

[Quantities in thousands of pounds]

Kind	Year	Total	Shortening	Oleomargarine	Other edible products	Soap
Total	1938	4,634,135	1,512,899	310,936	377,055	1,468,535
	1937	4,963,914	1,604,841	324,905	412,684	1,475,756
	1936	4,775,241	1,614,319	322,719	363,237	1,394,538
	1935	4,489,687	1,552,476	306,275	320,006	1,312,790
	1934	4,026,819	1,214,742	214,132	292,466	1,474,415
	1933	3,514,641	972,142	198,794	247,753	1,311,263
	1932	3,355,555	968,577	166,698	190,065	1,375,416
	1931	3,771,469	1,208,142	190,467	190,835	1,390,231
Cottonseed oil	1938	1,528,805	1,040,162	142,857	198,155	2,883
	1937	1,686,222	1,162,596	173,615	226,647	8,414
	1936	1,302,827	918,866	108,106	178,330	1,278
	1935	1,339,739	991,798	99,505	138,580	1,857
	1934	1,377,437	1,058,733	54,778	155,343	2,702
	1933	1,114,846	852,843	17,997	121,558	6,967
	1932	1,083,959	834,367	15,096	100,129	3,583
	1931	1,140,799	928,489	16,027	84,435	1,970
Tallow, inedible	1938	764,041				702,267
	1937	675,918				613,509
	1936	725,974				660,020
	1935	718,357				663,002
	1934	717,368				662,858
	1933	566,731				508,824
	1932	585,896				549,186
	1931	566,328				323,714
Coconut oil	1938	555,017	26,199	89,521	61,493	342,982
	1937	425,894	12,531	73,806	49,886	252,241
	1936	602,273	38,427	150,465	60,020	307,376
	1935	582,097	44,034	174,314	87,060	229,711
	1934	589,602	9,045	123,678	78,636	341,124
	1933	583,826	7,117	150,096	69,333	322,264
	1932	549,515	8,332	123,219	40,853	353,527
	1931	592,684	34,132	133,117	52,984	340,503
Palm-kernel oil	1938	51,962	614	4,746	13,118	29,498
	1937	144,041	47	7,946	21,294	111,514
	1936	44,104	627	2,400	12,490	26,443
	1935	57,125	825	425	14,895	37,273
	1934	22,601			4,608	16,516
	1933	15,962			7,757	6,278
	1932	16,615			11,310	3,565
	1931	54,059	158		22,579	28,035

EXHIBIT C

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF AGRICULTURAL ECONOMICS,
Washington, May 15, 1939.

EXTRACTS FROM BULLETIN FOS-27—THE FATS AND OILS SITUATION

TABLE 8.—*Soap: Fats, oils, and rosin used in manufacture, United States, specified years, 1912–38*

Fat or oil	1912	1914	1916	1917	1919
Hard oils (tallow class):					
Slow lathering:	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
Tallow, inedible	238,683	270,713	338,931	362,297	326,587
Whale and fish oils [1]	11,030	15,876	12,852	13,308	13,555
Grease	76,479	84,573	102,134	114,616	33,871
Palm oil	7,546	10,000	14,938	27,345	17,268
Total	333,729	381,162	468,855	517,566	391,281
Quick lathering:					
Coconut oil	78,616	77,959	111,084	168,602	182,613
Palm-kernel oil	20,579	31,376	5,804	4,762	4,551
Total	99,195	109,335	116,888	173,364	187,164
Soft oils:					
Cottonseed oil foots	89,127	108,141	112,178	115,042	108,389
Olive oil, foots and inedible	6,147	8,046	10,595	12,231	4,899
Red oil	8,723	10,275	10,230	12,812	24,205
Cottonseed oil	132,312	119,254	194,916	126,390	56,130
Soybean oil	1,182	4,499	57,373	124,058	58,401
Corn oil	9,822	11,368	12,821	15,997	2,235
Peanut oil	31	76	1,181	15,126	3,055
Miscellaneous soap stock	25,000	25,000	25,000	25,000	60,653
Other [2]	35,883	41,517	48,758	64,094	41,111
Total	308,227	328,176	473,052	510,750	359,078
Total fats and oils	741,151	818,673	1,058,795	1,201,680	937,523
Rosin	(200,000)	185,310	(175,000)	(150,000)	119,529
Total saponifiable materials	941,151	1,003,983	1,233,795	1,351,680	1,057,052

See footnotes at end of table.

EXHIBIT C—Continued

TABLE 8.—*Soap: Fats, oils, and rosin used in manufacture, United States, specified years, 1912–38*—Continued

Fat or oil	1921	1922	1923	1924	1925
Hard oils (tallow class):					
Slow lathering:	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
Tallow, inedible	373,223	429,966	412,749	428,881	390,789
Whale and fish oils [1]	37,613	90,505	73,269	67,781	98,940
Grease	136,322	161,985	160,167	292,123	242,466
Palm oil	24,386	30,389	102,323	82,250	119,400
Vegetable tallow			8,548	5,198	6,424
Total	571,544	712,845	757,056	876,233	858,019
Quick lathering:					
Coconut oil	194,417	237,702	267,982	260,000	286,000
Palm-kernel oil	593	685	3,287	4,440	45,037
Total	195,010	238,387	271,269	264,440	331,037
Soft oils:					
Cottonseed oil foots	76,018	61,966	52,676	77,214	109,824
Olive oil, foots and inedible	16,609	21,735	28,641	32,024	49,083
Red oil	13,149	10,431	12,233	14,000	14,000
Cottonseed oil	47,935	19,759	10,824	10,000	8,000
Soybean oil	10,756	2,307	3,266	2,500	2,250
Corn oil	2,405	4,941	5,617	5,000	5,000
Peanut oil	10,983	6,711	6,900	5,000	
Miscellaneous soap stock	22,104	21,130	24,753	15,000	18,000
Other [2]	24,048	19,169	22,334	20,000	20,000
Total	224,007	168,149	167,244	180,738	226,157
Total fats and oils	990,561	1,119,381	1,195,569	1,321,411	1,415,213
Rosin [3]	(100,000)	141,350	143,378	104,956	140,615
Total saponifiable materials	1,090,561	1,260,731	1,338,947	1,426,367	1,555,828

Fat or oil	1926	1927	1928	1929	1930
Hard oils (tallow class):					
Slow lathering:	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
Tallow, inedible	430,886	484,029	440,943	434,755	442,610
Whale and fish oils [1]	111,673	135,549	142,220	134,107	113,829
Grease	242,424	242,712	261,454	245,516	243,944
Palm oil	100,960	112,460	142,363	192,331	191,956
Vegetable tallow	2,477	5,688	7,262	10,211	6,042
Total	888,420	980,438	994,242	1,016,920	998,381
Quick lathering:					
Coconut oil	270,206	334,765	335,417	334,205	303,271
Palm-kernel oil	83,653	31,248	50,578	72,920	29,431
Total	353,859	366,013	385,995	407,125	332,702
Soft oils:					
Cottonseed oil foots	118,727	147,511	105,206	108,904	103,360
Olive oil, foots and inedible	52,206	48,190	48,060	53,629	49,842
Red oil	15,000	15,000	15,000	15,000	12,000
Cottonseed oil	5,000	7,500	20,000	12,000	7,500
Soybean oil	2,500	2,500	2,500	6,400	5,000
Corn oil	5,000	5,000	5,000	5,000	4,000
Peanut oil	3,000	2,000	3,000	1,700	1,500
Castor oil				4,835	
Linseed oil				1,916	
Miscellaneous soap stock	22,000	32,000	35,660	35,112	30,415
Other [2]	20,000	20,000	20,000	20,000	15,000
Total	243,433	279,701	254,426	264,496	228,617
Total fats and oils	1,485,712	1,626,152	1,634,663	1,688,541	1,559,700
Rosin [3]	118,257	100,227	91,269	114,300	109,484
Total saponifiable materials	1,603,969	1,726,379	1,725,932	1,802,841	1,669,184

Fat or oil	1931	1932	1933	1934	1935
Hard oils (tallow class):					
Slow lathering:	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
Tallow, inedible	523,714	549,186	508,824	662,858	663,002
Whale and fish oils [1]	127,095	98,035	97,063	98,544	138,410
Grease	129,403	143,724	124,743	142,782	98,086
Palm oil	172,228	168,009	187,962	154,704	87,311
Tallow, edible	1,494	1,969	2,389	1,098	1,431
Oleostearine	53	374	362	452	338
Lard				24	1
Vegetable tallow	3,256	511			
Total	957,243	961,808	921,343	1,060,462	988,579

See footnotes at end of table.

EXHIBIT C—Continued

TABLE 8.—*Soap: Fats, oils, and rosin used in manufacture, United States, specified years, 1912–38*—Continued

Fat or oil	1926	1927	1928	1929	1930
Hard oils (tallow class)—Continued.					
Quick lathering:					
Coconut oil	340,503	353,527	322,264	341,124	229,711
Palm-kernel oil	28,035	3,565	6,278	16,516	37,173
Total	368,538	357,092	328,542	357,640	266,884
Soft oils:					
Cottonseed oil foots and other foots [3]	152,000	152,000	145,000	141,000	191,000
Olive oil, foots and inedible	41,076	32,789	33,879	32,364	33,197
Soybean oil	3,816	5,571	4,235	1,354	2,549
Cottonseed oil	1,970	3,583	6,967	2,702	1,857
Corn oil	4,104	2,532	3,638	6,268	2,828
Castor oil	2,829	2,408	2,090	1,786	1,056
Linseed oil	1,488	985	980	1,022	1,196
Peanut oil	244	290	529	147	754
Sesame oil	8,197	1,871	758	466	749
Oleo oil	446	260	112	85	93
Rape oil		89	39	994	8,001
Olive oil, edible	14	52	61	51	33
Neat's-foot oil	33	27	20	61	33
Perilla oil					16
Tung oil			5	35	
Sunflower oil			7,889	7,142	103
Other [4]	230	6,059	176	1,836	4,762
Total	216,450	208,516	206,378	197,313	248,227
Total fats and oils	1,542,231	1,527,416	1,456,263	1,615,415	1,503,690
Rosin [5]	119,934	130,675	132,086	141,732	139,375
Total saponifiable materials	1,662,165	1,658,091	1,588,349	1,757,147	1,643,065

Fat or oil	1936	1937	1938
Hard oils (tallow class):			
Slow lathering:	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
Tallow, inedible	660,020	613,509	702,267
Whale and fish oils [1]	160,647	189,009	145,954
Grease	98,714	94,247	96,356
Palm oil	78,453	141,358	91,642
Tallow, edible	228	143	332
Oleostearine	320	321	240
Lard	9		1
Total	998,391	1,038,587	1,036,792

See footnotes at end of table.

EXHIBIT C—Continued

TABLE 8.—*Soap: Fats, oils, and rosin used in manufacture, United States, specified years, 1912–38*—Continued

Fat or oil	1936	1937	1938
Hand oils (tallow class)—Continued.	*1,000 lbs.*	*1,000 lbs.*	*1,000 lbs.*
Quick lathering:			
Coconut oil	307,376	252,241	342,982
Palm-kernel oil	26,443	111,514	29,498
Babassu oil	8,993	14,308	8,289
Total	342,812	378,063	380,769
Soft oils:			
Cottonseed-oil foots and other foots [3]	183,000	183,000	208,000
Olive oil, foots and inedible	25,599	18,874	16,312
Soybean oil	5,023	10,274	10,897
Cottonseed oil	1,278	8,414	2,883
Corn oil	2,527	2,392	2,514
Castor oil	1,623	2,123	1,810
Linseed oil	1,482	1,359	1,455
Peanut oil	1,734	820	545
Sesame oil	1,869	2,944	302
Oleo oil	57	74	119
Rape oil	7,771	981	55
Olive oil, edible	53	21	31
Neat's-foot oil	41	16	20
Perilla oil	8	2	
Tung oil	2		
Other [4]	4,268	10,812	14,031
Total	236,335	242,106	258,974
Total fats and oils	1,577,538	1,658,756	1,676,535
Rosin [5]	148,536	136,410	[6] 125,000
Total saponifiable materials	1,726,074	1,795,166	1,801,535

[1] Includes whale, herring, sardine, menhaden, and other fish oils.

[2] These data are for item reported as miscellaneous (p. 127, U. S. Tariff Commission Rept. No. 41), plus difference between items reported as domestic animal fats and oils except marine (p. 127) and domestic tallow, inedible, grease, and red oil (p. 132, 1912–17. Beginning 1919, item reported as miscellaneous only.

[3] Estimated.

[4] Reported as "other vegetable oils."

[5] The rosin season extends from April of one year through March of the next year. Data are for calendar year in some cases and for season in other cases. Data are placed, however, in the calendar year in which most of the season occurs, i. e., 1938–39 data are placed in calendar year 1938.

[6] Preliminary.

Data for 1913, 1915, 1918, and 1920 not available.

Compiled as follows: Fats and oils: 1912–30, U. S. Tariff Commission Rept. No. 41, pp. 127, 130–132; 1931–38, Bureau of the Census, Animal and Vegetable Fats and Oils. Rosin: Naval Stores Division, U. S. Department of Agriculture.

TABLE 9.—*Soap: Fats, oils, and rosins used in manufacture as percentage of total saponifiable materials, United States, specified years, 1912–38*

Fat or oil	1912	1914	1916	1917	1919	1921	1922	1923	1924	1925	1926	1927
Hard oils (tallow class):	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Slow lathering:												
Tallow, inedible	25.4	27.0	27.5	26.8	30.9	34.2	34.1	30.8	30.1	25.1	26.9	28.0
Whale and fish oils	1.2	1.6	1.0	1.0	1.3	3.5	7.2	5.5	4.8	6.4	7.0	7.9
Grease	8.1	8.4	8.3	8.5	3.2	12.5	12.8	12.0	20.5	15.6	15.1	14.1
Palm oil	.8	1.0	1.2	2.0	1.6	2.2	2.4	7.6	5.8	7.7	6.3	6.5
Other [1]								.6	.4	.4	.2	.3
Total	35.5	38.0	38.0	38.3	37.0	52.4	56.5	56.5	61.6	55.2	55.5	56.8
Quick lathering:												
Coconut oil	8.4	7.8	9.0	12.5	17.3	17.8	18.9	20.0	18.2	18.4	16.8	19.4
Palm-kernel oil	2.2	3.1	.5	.4	.4	.1	.1	.3	.3	2.9	5.2	1.8
Total	10.6	10.9	9.5	12.9	17.7	17.9	19.0	20.3	18.5	21.3	22.0	21.2
Soft oils:												
Cottonseed oil foots	9.5	10.8	9.1	8.5	10.3	7.0	4.9	3.9	5.4	7.1	7.4	8.5
Olive oil, foots, and inedible	.6	.8	.9	.9	.5	1.5	1.7	2.1	2.2	3.1	3.2	2.8
Red oil	.9	1.0	.8	.9	2.3	1.2	.8	.9	1.0	.9	.9	.9
Soybean oil	.1	.4	4.6	9.2	5.5	1.0	.2	.3	.2	.1	.2	.1
Cottonseed oil	14.1	11.9	15.8	9.4	5.3	4.4	1.6	.8	.7	.5	.3	.4
Other [2]	7.5	7.7	7.1	8.8	10.1	5.4	4.1	4.5	3.0	2.8	3.1	3.5
Total	32.7	32.6	38.3	37.7	34.0	20.5	13.3	12.5	12.5	14.5	15.1	16.2
Total fats and oils	78.8	81.5	85.8	88.9	88.7	90.8	88.8	89.3	92.6	91.0	92.6	94.2
Rosin	21.2	18.5	14.2	11.1	11.3	9.2	11.2	10.7	7.4	9.0	7.4	5.8
Total saponifiable materials	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Includes edible tallow, oleostearine, lard, and vegetable tallow as reported.

[2] Includes corn, castor, linseed, peanut sesame, oleo, rape, edible olive, neat's foot, perilla, tung, sunflower oils, soap stock, and "other" as reported.

TABLE 9.—*Soap: Fats, oils ,and rosins used in manufacture as percentage of total saponifiable materials, United States, specified years, 1912–38*—Continued

Fat or oil	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Hard oils (tallow class):											
Slow lathering:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Tallow, inedible	25.6	24.1	26.5	31.5	33.1	32.0	37.7	40.3	38.2	34.2	39.0
Whale and fish oils	8.2	7.4	6.8	7.6	5.9	6.1	5.6	8.4	9.3	10.5	8.1
Grease	15.1	13.6	14.6	7.8	8.7	7.9	8.1	6.0	5.7	5.2	5.4
Palm oil	8.2	10.7	11.5	10.4	10.1	11.8	8.8	5.3	4.5	7.9	5.1
Other [1]	.4	.6	.4	.3	.1	.2	.1	.1	(3)	(3)	(3)
Total	57.5	56.4	59.8	57.6	57.9	58.0	60.3	60.1	57.7	57.8	57.6
Quick lathering:											
Coconut oil	19.4	18.5	18.2	20.5	21.3	20.3	19.4	14.0	17.8	14.0	19.0
Palm-kernel oil	2.9	4.0	1.8	1.7	.2	.4	.9	2.3	1.5	6.2	1.6
Babassu oil									.5	.8	.5
Total	22.3	22.5	20.0	22.2	21.5	20.7	20.3	16.3	19.8	21.0	21.1
Soft oils:											
Cottonseed oil foots	6.1	6.0	6.2	9.1	9.2	9.1	8.0	11.6	10.6	10.2	11.6
Olive oil, foots and inedible	2.8	3.0	3.0	2.5	2.0	2.1	1.8	2.0	1.5	1.1	.9
Red oil	.9	.8	.7								
Soybean oil	.1	.4	.3	.2	.3	.3	.1	.2	.3	.6	.6
Cottonseed oil	1.2	.7	.4	.1	.2	.5	.2	.1	.1	.5	.2
Other [2]	3.8	3.9	3.0	1.1	1.0	1.0	1.2	1.2	1.4	1.2	1.1
Total	14.9	14.8	13.6	13.0	12.7	13.0	11.3	15.1	13.9	13.6	14.4
Total fats and oils	94.7	93.7	93.4	92.8	92.1	91.7	91.9	91.5	91.4	92.4	93.1
Rosin	5.3	6.3	6.6	7.2	7.9	8.3	8.1	8.5	8.6	7.6	6.9
Total saponifiable materials	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Includes edible tallow, oleostearine, lard, and vegetable tallow as reported.
[2] Includes corn, castor, linseed, peanut, sesame, oleo, rape, edible olive, neat's-foot, perilla, tung, sunflower oils, soap stock, and "other" as reported.
[3] Less than 0.1 percent.

NOTE.—Computed from table 8.

Mr. JOHNSON of California. Mr. President, I wish to fortify, if I can, the position of the Senator from Arizona. I will say by way of preface that I am not accustomed to argue constitutional questions. I am not a constitutional expounder. I have generally found in my experience that, according to the courts, if we may place any reliance upon them, the most eloquent expounders of the Constitution are usually decided to be in error.

The latest edition of the Constitution of the United States of America, annotated—oh, it is a presumptuous thing to be referring to the Constitution here—contains notes under the various headings. I will read the notes for what they are worth. I shall not attempt to comment upon them in any way, shape, form, or manner. Other Senators can understand them as well as I can, although they may understand them differently:

SEC. 7. All bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with amendments as on other bills.

The note says:

All bills for raising revenue: The construction of this limitation is practically settled by the uniform action of Congress confining it to bills to levy taxes in the strict sense of the word, and it has not been understood to extend to bills having some other legitimate and well-defined general purpose but which incidentally create revenue.

Under that particular text the following cases are cited: *United States* v. *Norton* (91 U. S. 566), *Twin City National Bank* v. *Nebeker* (167 U. S. 196), *Millard* v. *Roberts* (202 U. S. 429).

Amendments by Senate: It has been held within the power of the Senate to remove from a revenue collection bill originating in the House a plan of inheritance taxation and substitute therefor a corporation tax.

The following cases are cited: *Flint* v. *Stone Tracy Co.* (220 U. S. 107), *Rainey* v. *United States* (232 U. S. 310).

That is all.

Mr. CONNALLY. Mr. President, I have not had the opportunity to read the decisions cited by the Senator from California; but there is no difficulty in that regard. As I understand the rule and the precedents, the language of the Constitution provides that all bills for raising revenue shall originate in the House. However, the Senate, of course, may amend them. When a revenue bill comes to the Senate, the Senate is at liberty, if it desires, to adopt a new tax which is not even contained in the House bill, because it has complete legislative powers, except for the prohibition that it shall not originate the bill.

If the doctrine asserted by Senators on the floor is sound, then the Senate need never pay attention to the constitutional provision about revenue measures, because when any bill comes over from the House a Senator may offer on the floor of the Senate an amendment cutting down the taxation, as this bill does, and say that it does not raise any revenue, and is therefore in order. The bill immediately becomes subject to amendment, and another Senator may offer an amendment raising the revenue, or adding a new tax, thus rendering absolutely nugatory the constitutional provision.

There was a reason for the constitutional provision that revenue bills should originate in the House. The theory was that the Members of the House of Representatives are representatives of the people, and that Senators are representatives of the States, formerly being elected by the legislatures of the States. The old theory, upon which the Revolution itself was founded, was that taxation without representation was cause for revolution. Therefore, the makers of the Constitution wisely provided that no tax should be laid upon the backs of the people unless their Representatives in the House of Representatives should propose the bill seeking to levy the tax; but the Constitution says that when that bill comes to the Senate the Senate may amend it, or change it, or do what it pleases with it, once the House has opened the door.

We have before us a bill which did not even originate in the House. The whole bill originated in the Senate. It is now proposed to take off a tax. It does not make any difference whether the bill raises or lowers the tax; it is still a revenue measure. It still relates to the revenue. I could offer in a moment an amendment raising the tax, instead of repealing the 3-cent tax, as is proposed. I could offer an amendment to make it 5 cents. Such an amendment would be in order. Then we should unquestionably have a bill raising revenue.

Mr. President, we ought not to adopt the pending amendment. I think everyone ought to know that it is violative of the spirit of comity, good will, and respect for the prerogatives of the two Houses. We ought not to add a revenue measure by a committee amendment.

The Senator from Arizona [Mr. HAYDEN] says that because the money ultimately goes to the Philippines, the bill

is not a revenue bill. How does the money go to the Philippines? The Government of the United States first levies the tax. Whose tax? The tax of the United States. Who is the collector? The United States' collector goes out and collects it at the factory where the processing is done. We are not concerned with what becomes of the money after it goes into the Treasury. The bill is still a revenue measure. Whether we appropriate the money to the Treasury of the Philippines or whether we give it to the W. P. A. does not change or modify the fact that it is a revenue measure. We would never get a dollar of the money into the Treasury of the United States unless the United States first exacted it by law, and then extorted it from the taxpayer by its own collection. There is no concern whatever as to what becomes of the dollar. We do not earmark every dollar that goes into the Treasury. We levy the tax, and it is up to the Congress to appropriate the proceeds.

So, Mr. President, that argument is specious; it is transparent. It is an argument through which even the dullest mind ought to be able to pierce.

Mr. President, I shall not consume more time. If the pending bill is not a revenue measure, then there are no revenue measures.

The PRESIDING OFFICER. The question recurs on the committee amendment. For the information of the Senate, the committee amendment will be stated.

Mr. BARKLEY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BARKLEY. Has the Chair stated the point which is to be voted on?

The PRESIDING OFFICER. The Chair will state it presently. For the information of the Senate, the Chair wishes to have the committee amendment stated.

The LEGISLATIVE CLERK. On page 19, line 24, it is proposed by the committee to insert:

(f) Section (a) (1) of section 2470 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2470 (a) (1)), is hereby amended by striking out the comma after the words "coconut oil," and inserting in lieu thereof the following: "(Except coconut oil rendered unfit for use as food or for any but mechanical or manufacturing purposes as provided in paragraph 1732 of the Tariff Act of 1930), and upon the first domestic processing of."

The PRESIDING OFFICER. To the committee amendment which has just been stated, the Senator from Texas has raised a point of order.

Mr. HARRISON. Mr. President, I should like to express myself briefly respecting the point of order made by the Senator from Texas [Mr. CONNALLY]. Frequently the Committee on Finance has been compelled to refuse to report bills which a majority of the committee favored, because it was felt that those proposals involved revenue legislation and should originate in the other House. I have no doubt, so far as this particular amendment is concerned, that should this bill pass the Senate with the committee amendment included, the House could reject or return it if it desired to do so. I may be mistaken, but I believe the amendment involves a revenue matter, and it seems to me that we should not send this bill to the House under these circumstances and that the Senate should sustain the point of order.

The PRESIDING OFFICER. To the committee amendment the Senator from Texas raised the point of order that the committee amendment is itself a revenue measure and may not originate in the Senate. The question now occurs, Is the committee amendment in order? Those Senators who think it is in order will vote "aye"; those who think the point of order is well taken will vote "no."

Mr. BARKLEY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BARKLEY. Is not the question whether the point of order is well taken, on which those who believe it well taken will vote "aye"?

The PRESIDING OFFICER. The present occupant of the chair will say that he entertains the same idea as that of the Senator from Kentucky, but he submitted the question to the Parliamentarian, and the Parliamentarian advised the occupant of the chair that the better practice is to submit the question, "Is the committee amendment in order?" Therefore, so that it may be understood, the Chair will repeat the question, Is the committee amendment in order? Those who think it is in order will vote "aye," and those who think it is not in order will vote "no." [Putting the question.] By the sound, the "noes" appear to have it.

Mr. HAYDEN. Mr. President, I ask for a division.

Mr. HARRISON, Mr. BARKLEY, and Mr. LA FOLLETTE called for the yeas and nays.

The yeas and nays were ordered.

Mr. JOHNSON of California. Mr. President, the Senate is voting upon the point of order, is it not?

The PRESIDING OFFICER. That is correct.

Mr. JOHNSON of California. There was no decision rendered by the Chair upon the point of order, was there?

The PRESIDING OFFICER. The Chair ruled, under the precedents of the Senate, the constitutional question being raised that it was a question to be decided by the Senate, and the Chair did not rule on the constitutional question.

Mr. JOHNSON of California. The Chair is safe, then.

The PRESIDING OFFICER. The Chair seems to be safe on such a vote. The clerk will proceed to call the roll.

The legislative clerk called the roll.

Mr. SHIPSTEAD (after having voted in the negative). I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I find that if he were present and voting he would vote as I have voted. So I let my vote stand.

Mr. McNARY. The senior Senator from Pennsylvania [Mr. DAVIS], the junior Senator from Oregon [Mr. HOLMAN], and the junior Senator from New Hampshire [Mr. TOBEY] are absent on official business. If present, each of the Senators mentioned would vote "nay."

Mr. AUSTIN. I announce that the Senator from New Hampshire [Mr. BRIDGES] is absent because of an operation.

Mr. BYRD. My colleague the senior Senator from Virginia [Mr. GLASS] is detained from the Senate because of illness. I am advised that if he were present and at liberty to vote he would vote "nay."

Mr. MINTON. I announce that the Senator from North Carolina [Mr. BAILEY] and the Senator from Iowa [Mr. GILLETTE] are absent on important public business. I am advised that if present and at liberty to vote those Senators would vote "nay."

The Senator from Florida [Mr. ANDREWS], the Senator from Arizona [Mr. ASHURST], the Senator from South Dakota [Mr. BULOW], the Senator from Nebraska [Mr. BURKE], the Senator from Idaho [Mr. CLARK], the Senator from Kentucky [Mr. LOGAN], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Florida [Mr. PEPPER], the Senator from North Carolina [Mr. REYNOLDS], the Senator from Utah [Mr. THOMAS], the Senator from Montana [Mr. WHEELER], and the Senator from Massachusetts [Mr. WALSH] are detained in important committee meetings.

The Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Pennsylvania [Mr. GUFFEY], and the Senator from Wyoming [Mr. SCHWARTZ] are absent on important public business.

The Senator from New Mexico [Mr. CHAVEZ], the Senator from Ohio [Mr. DONAHEY], the Senator from Rhode Island [Mr. GERRY], the Senator from Iowa [Mr. HERRING], the Senator from Alabama [Mr. HILL], the Senator from Illinois [Mr. LUCAS], the Senator from Louisiana [Mr. OVERTON], and the Senator from Indiana [Mr. VAN NUYS] are detained on departmental business.

The Senator from West Virginia [Mr. HOLT] is addressing the East Fairmont High School Alumni Association today, and is therefore necessarily absent.

The result was announced—yeas 8, nays 54, as follows:

YEAS—8

Caraway	Downey	Hayden	King
Clark, Mo.	Gibson	Johnson, Calif.	Taft

NAYS—54

Adams	Bone	Connally	Green
Austin	Borah	Danaher	Gurney
Barbour	Byrd	Ellender	Harrison
Barkley	Byrnes	Frazier	Hatch
Bilbo	Capper	George	Hughes

Johnson, Colo.	Mead	Reed	Thomas, Okla.
La Follette	Miller	Russell	Townsend
Lee	Minton	Schwellenbach	Truman
Lodge	Murray	Sheppard	Vandenberg
Lundeen	Neely	Shipstead	Wagner
McCarran	Norris	Slattery	White
McKellar	Nye	Smathers	Wiley
McNary	Pittman	Smith	
Maloney	Radcliffe	Stewart	

NOT VOTING—34

Andrews	Clark, Idaho	Hill	Schwartz
Ashurst	Davis	Holman	Thomas, Utah
Bailey	Donahey	Holt	Tobey
Bankhead	Gerry	Logan	Tydings
Bridges	Gillette	Lucas	Van Nuys
Brown	Glass	O'Mahoney	Walsh
Bulow	Guffey	Overton	Wheeler
Burke	Hale	Pepper	
Chavez	Herring	Reynolds	

So the Senate decided the committee amendment to be out of order.

Mr. TYDINGS. Mr. President, I think that disposes of all committee amendments.

The PRESIDING OFFICER. The committee amendments have been disposed of. The bill is still before the Senate and is open to further amendment.

Mr. CLARK of Missouri. Mr. President, I send forward an amendment which I ask to have stated. I may say that this amendment was not adopted by the committee as a committee amendment, but I have submitted it to nearly all the members of the committee since it was prepared. I gave notice of it in the committee, and it has the approval of the majority of them.

The PRESIDING OFFICER. The amendment proposed by the Senator from Missouri will be stated.

The LEGISLATIVE CLERK. On page 15, after line 2, it is proposed to insert the following as a new section:

SEC. 4. Section 13 of the said act of March 24, 1934, is hereby amended to read as follows:

"SEC. 13. After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries: *Provided*, That at least 2 years prior to the date fixed in this act for the independence of the Philippine Islands, there may be held a conference of representatives of the Government of the United States and the government of the Commonwealth of the Philippine Islands, the representatives of the United States to consist of three United States Senators, appointed by the President of the Senate, three Members of the House of Representatives, appointed by the Speaker of the House, and six persons appointed by the President of the United States; a like number of representatives of the Philippine government may be appointed by the President of the Philippine Commonwealth, with the consent of the commission on appointments; the purpose of the conference shall be to formulate recommendations as to future trade relations between the Government of the United States and the independent government of the Philippine Islands, the time, place, and manner of holding such conference to be determined by the President of the United States; but nothing in this proviso shall be construed to modify or affect in any way any provision of this act relating to the procedure leading up to Philippine independence or the date upon which the Philippine Islands shall become independent.

"In the event any vacancy may occur in the commission by reason of the death, resignation, or retirement from the Senate of any member appointed by the President of the Senate such vacancy may be filled by appointment of the President of the Senate.

"In the event any vacancy may occur by reason of the death, resignation, or retirement from the House of Representatives of any Member appointed by the Speaker of the House of Representatives such vacancy may be filled by appointment of the Speaker of the House of Representatives.

"Any vacancy which may occur in the portion of the commission appointed by the President of the United States may be filled by appointment of the President of the United States."

Mr. CONNALLY. Mr. President, purely on the grounds of consistency—I really do not know what is in this amendment—I shall have to make the same point of order that I made on the other one, because on its face the amendment discloses that it is a revenue proposition.

Mr. CLARK of Missouri. Mr. President, let me say to my friend from Texas that the sentence to which he refers makes no change in existing law by even as much as one word.

Mr. CONNALLY. Then it is not a question of existing law at all. If it is existing law, there is no use to reenact it; but on its face the amendment provides that when and if the Philippines become independent and free, certain tariff rates shall be levied on all articles coming into the United States. If that is not a tariff bill, I do not know what a tariff bill is.

Mr. CLARK of Missouri. Mr. President, let me say to the Senator from Texas that that provision is in existing law; and the purpose of the amendment is to add to existing law a proviso which does not affect the revenue in any particular whatever. The provision of existing law was set out in order to make the proviso intelligible.

Mr. BORAH. Mr. President——

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

Mr. CONNALLY. I do.

Mr. BORAH. I do not recall the language of the original law; but, as I listened to the reading of this amendment, it provides that this commission shall meet for the purpose of fixing tariff rates.

Mr. CLARK of Missouri. The amendment gives the Commission no authority whatever to fix tariff rates. As has been contemplated in the law from the very beginning of the consideration of the question of independence, the amendment simply sets up a body for the consideration of any economic questions which may arise prior to the Independence Act going into effect. It does not give the Commission the slightest authority to change existing rates or to provide for any new rates.

Mr. BORAH. What is the purpose of the Commission? What is its objective?

Mr. CLARK of Missouri. In the process of economic separation certain questions may and undoubtedly will arise, and the amendment simply sets up a commission having jurisdiction, if the President sees fit to appoint them—it is not mandatory—to study these questions, and, of course, to report to the Congress. That is what it would be necessary for the Commission to do, of course.

Mr. BORAH. The only power the Commission would have ultimately would be to report to Congress?

Mr. CLARK of Missouri. Absolutely.

I will say very frankly, so far as I am concerned, that my purpose in offering the amendment is to have some commission authorized by law to take the matter under consideration, rather than an entirely extralegal committee such as has been set up without any authorization by law. We have had an interdepartmental committee. I think the President should have authority to appoint representatives on this commission, I also think there should be on it representatives from Congress to take into consideration matters which may arise prior to the final separation already provided for by existing law. The amendment does not give them the slightest authority to change law. It simply authorizes them to take the matters into consideration, and, of course, to report to the Congress, and whatever determination the Congress may see fit to make will be final.

Mr. CONNALLY. Mr. President, may I ask the Senator a question?

Mr. CLARK of Missouri. Certainly.

The PRESIDING OFFICER. The Senator from Texas has the floor.

Mr. CONNALLY. Under existing law when and if the Philippines become free, do the tariff rates under the present law immediately apply as they do to all other countries, or do the Philippines enjoy a scaling-down process?

Mr. CLARK of Missouri. When they have complete independence, I understand that they pay duty like anybody else.

Mr. CONNALLY. If the Senator does not know——

Mr. CLARK of Missouri. That is my understanding of the law. If any Senator has a contrary view, I shall be glad to have him state it. This amendment does not change existing law. It is not the purpose of the amendment to change existing law.

Mr. CONNALLY. It is not a matter of whether the amendment changes existing law or whether it does not; it deals with the revenue, because it says:

Section 13. After the Philippine Islands have become a free and independent nation there shall be levied—

By whom? By the United States.

Mr. CLARK of Missouri. That is already the law.

Mr. CONNALLY. Then there is no need to reenact it—

there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries.

If that is not a tariff bill, I do not know what a tariff bill is.

Mr. CLARK of Missouri. Well, Mr. President, if the Senator from Texas desires to be so technical——

The PRESIDING OFFICER. The Senator from Texas has the floor.

Mr. CLARK of Missouri. If the Senator will yield, I will take the floor.

Mr. CONNALLY. The Senator from Texas does not appreciate comments such as the Senator from Missouri makes when he says, "If the Senator wants to be so technical." I do not care anything about his amendment and did not know what was in it until it was read. I had just made a point of order on the same grounds on an amendment offered by the Senator from Arizona [Mr. HAYDEN] and the Senate sustained me.

Can I sit here now and, simply because the Senator from Missouri offers an amendment that is also objectionable, not make the point of order against him when I have made it against one of the best friends I have in the world, the Senator from Arizona? And then, because the Senator from Texas does that, he is "technical."

When the Senator from Texas takes an oath to obey the Constitution of the United States, he takes an oath to obey all of it, not just the part that suits him, not just the part that suits the Senator from Missouri, not just the part that suits the views of the Senator from Texas as to some particular measure, but he takes an oath to support all of it, whether it suits him or not. If the Senator from Missouri wants to call that technical, I shall plead guilty; I am technical.

I have seen the Senator from Missouri stand here and heard him exhort Senators to stand up for the Constitution when that view suited him. I am surprised that he should relax in his vigilance over that sacred document at any time or for any purpose. I commend it to him. Go back and look at the old document. It is over here in the Library of Congress, if the Senator has not seen it lately. Go over there and look at it, meditate on it, become saturated with it, and then the Senator will not say that someone who is insisting on observance is merely technical.

Mr. CLARK of Missouri. Mr. President, I repeat the statement that the Senator from Texas is not only technical but is wrong.

If it suits the peculiar mentality of the Senator from Texas to insist that it is a violation of any constitutional provision to insert in a Senate amendment a repetition of the existing law, now upon the statute books, without a change of any single letter in that law, for the purpose of making more clear a proviso which does not refer to the revenue being appended to that section of existing law, I am perfectly content for the Senator from Texas to maintain such a position.

If the Senator from Texas conceives that it would be a violation of his oath of office, as being a violation of the Constitution of the United States, to include in a bill a repetition of existing law, I desire to relieve the Senator from the necessity of making a point of order, although I am thoroughly convinced that there is no merit whatever in the point of order.

If the Senator from Texas conceives that the point of order which he could make against this amendment would be the one which he has just made against the amendment of the Senator from Arizona [Mr. HAYDEN], I am perfectly willing for him to labor under that delusion.

Therefore, Mr. President, I modify my amendment by striking out the words beginning on line 1, of page 1, down to and including the word *"Provided"*, on line 1, of page 2, and the word "that", on line 2, of page 2, so that the amendment will begin:

At least 2 years prior to the date fixed in this act—

And the remainder of the amendment will be as it has been read.

Mr. TYDINGS. Mr. President, with the elimination the Senator from Missouri has made in his amendment, the objection made by the Senator from Texas would, of course, no longer hold; and I am sure the Senator from Texas does not want to make an objection to the remainder of the amendment.

Mr. CONNALLY. When the vice I perceive in the amendment is taken out, of course I have no further objection to it.

Mr. CLARK of Missouri. Mr. President——

Mr. TYDINGS. I yield to the Senator from Missouri.

Mr. CLARK of Missouri. I desire to state very specifically that the modification makes no reference whatever to the merits of the objection made by the Senator from Texas, but is merely to satisfy the mind of the Senator from Texas, and keep him from reading the Constitution again.

Mr. CONNALLY. I thank the Senator from Missouri for this soulful solace he gives to the Senate.

Mr. TYDINGS. Mr. President, the amendment of the Senator from Missouri, as it now stands, is not mandatory, but permissive. Nevertheless, before the Senate votes on it, and I have no particular objection to it, I think we might consider where we will be when the amendment really becomes operative.

The amendment now reads:

Provided, that at least 2 years prior to the date fixed in this act for independence—

Which would be 1944—

there may be held—

Not "shall be held," but—

there may be held a conference.

Then it proceeds to provide that the conferees shall be chosen from the Senate and the House. At this time I cannot see any particular reason why perhaps just before independence there might not be a conference of Representatives and Senators to see what the situation might then be and to take such necessary steps as it might demand. But between now and 1944 two Presidents of the United States will be elected, an entirely new Senate will be elected, and there will be three new Houses of Representatives. I do not know whether in 1944 I would be glad that a conference would go into this matter again. If we have to have a conference 2 years before final independence takes place, I think it is pretty sound to provide that Congress as then existing shall put into force such a conference to hear any matter which may need to be considered, and certainly if tne Philippine people wanted to petition Congress for some change which we do not now perceive to be necessary, they could do so.

True, the amendment makes it only permissive; it is not mandatory. But I think there is much force in the thought that we should not now make provision for this conference. Congress may not want to have a conference at that time. Certainly if the act takes care pretty reasonably of the things which may happen prior to independence, we may not want to have another consideration of the Philippine situation. But if we put this amendment into the law, I am afraid it will be interpreted to mean a promise which Congress will make good 2 years before independence. We may want to do it when the date arrives, or we may want to do it 3 years or 4 years before the independence of the Philippines is to come about. I think the Senate and the country

ought to know that, even though the amendment is permissive, it might be interpreted as committing Congress to a certain procedure 2 years before final independence. I believe that thought ought to be in the minds of Senators when they vote upon the amendment. I am not particularly speaking against the amendment, but I think the implications of the amendment ought to be understood if the Senate cares to adopt it.

Mr. DANAHER. Mr. President, I should like to ask the Senator from Maryland whether it is not the present law that there is to be a trade conference to be held at least 1 year prior to July 4, 1946?

Mr. TYDINGS. I do not think that is accurate.

Mr. DANAHER. What is the provision of law in that respect?

Mr. TYDINGS. I think it is permissive.

Mr. DANAHER. It does provide that there may be one at least 1 year prior to July 4, 1946?

Mr. TYDINGS. I would not care to say; I have not read that part of the law for a long time. It may be in the law, or it may not be.

Mr. CLARK of Missouri. If it is in the law except for a change in the date when the conference is to be held, the law does provide for it.

Mr. TYDINGS. Mr. President, the amendment of the Senator from Missouri would make it pretty definite that the Congress is to constitute a certain number of Members of the House of Representatives and of the Senate to consider this matter 2 years before independence. There might be a world war before that time; there might be another war in the Orient. The whole situation might be changed. It seems to me we might be well advised to wait until 1943 or 1944 to see what the situation may then be. Certainly if there is any need for dealing with this question again, I am sure Congress will deal with it through its appropriate committees. But to make this gesture now, before we know what may happen in the next 4 or 5 years, might be a mistake. I have no particular objection to the amendment, except that I am concerned that it will be misinterpreted by the Filipino people as a demand on their part for a conference which we will have to accept in good faith.

Mr. HAYDEN. Mr. President, let me point out the provision in existing law:

> That at least 1 year prior to the date fixed in this act for the independence of the Philippine Islands there shall be held a conference of representatives of the Government of the United States and the government of the Commonwealth of the Philippine Islands, such representatives to be appointed by the President of the United States and the chief executive of the Commonwealth of the Philippine Islands, respectively, for the purpose of formulating recommendations as to future trade relations between the Government of the United States and the independent government of the Philippine Islands.

The advantage I see in the amendment offered by the Senator from Missouri is that instead of being mandatory it is permissive.

Mr. TYDINGS. From what act is the Senator reading?

Mr. HAYDEN. I am reading from section 13 of the act of March 24, 1934.

Mr. TYDINGS. Not from the pending bill?

Mr. HAYDEN. No; I am reading from the law.

Mr. TYDINGS. Then, if the Senator's position is well taken, unless that law shall be repealed, that conference will be provided for and also the conference proposed in the pending amendment.

Mr. HAYDEN. But the Senator from Missouri proposes to amend this language in the existing law.

Mr. TYDINGS. The amendment does not so state. I have the amendment in my hand. It says nothing about amending.

Mr. CLARK of Missouri. It provided, "Section 13 of the said act of March 24, 1934, is hereby amended."

Mr. HAYDEN. That is the act from which I have been reading.

Mr. TYDINGS. I am in error.

Mr. HAYDEN. I think it is highly advantageous that there be on the commission provided for, Members of the Senate and of the House of Representatives. Congress has had much to say about all of the Philippine legislation enacted heretofore. We have not turned it over to the executive department.

The Senator from Missouri improved the situation, first, by making the amendment permissive; secondly, by making it effective 2 years before independence, instead of 1, because if we are to do anything about it, 1 year is too short a time; thirdly, he improved the situation by providing representation on the commission of Senators and Representatives.

Mr. PITTMAN. Mr. President, I am very much in accord with the position taken by the Senator from Arizona. There is now what is called an Interdepartmental Commission. It consists of representatives of five of the departments. As a matter of fact, only one department is represented, and only one man in one department pays very much attention to the Commission, so far.

If the law remains as it is, there will probably be one representative of the six departments in the Philippine Islands negotiating, we will say, a bill with regard to the future of the Philippine Islands after they become independent. The Congress of the United States will probably know nothing about what the proposal is until it is submitted within a few months or a few days before the Commonwealth of the Philippine Islands is to die and the Philippine Islands become absolutely sovereign. Then the Congress of the United States will be expected to act on the matter immediately, because of it being an emergency, something being about to happen. The privileges granted the Philippine Islands under the Commonwealth Act will expire, and we will be urged to act immediately. We will either act without knowledge or we will take considerable time in studying the question, while possibly the Philippine Islands will be suffering.

It seems to me it is one of those peculiar cases of the responsibility as to what we should do in the Philippine Islands after they become sovereign resting upon the Congress of the United States. I think there should be Members of both branches of the Congress, in equal numbers with those representing the executive department, who should be prepared to give a full report to the Congress before the period of sovereignty commences, and the report should be rendered from the standpoint of Congress, not from the standpoint of some executive commission.

Mr. President, I very strongly support the pending suggestion, and I ask, of course, that it be certain that the provision in the act for a conference, which is for a purely departmental conference, is repealed by the amendment. I want it to be understood that it is.

Mr. CLARK of Missouri. Mr. President, that is certainly the purpose of the amendment, and I understand it repeals the former provision. The amendment as originally drawn was printed 10 days ago and has been available to members of the committee since that time. In the original print the provisions were mandatory instead of permissive, and I say very frankly that I much prefer to have them mandatory instead of permissive; but the amendment was changed today at the suggestion of the chairman of the committee. I understood that made the amendment meet with the complete approval of the chairman of the committee. Otherwise, I should not have changed the amendment to make it permissive instead of mandatory.

Mr. NORRIS. Mr. President, I wish to ask the Senator about the very question he is now discussing. Under the present law a mandatory commission is provided for, which will not be composed of Members of Congress. The Senator's amendment would repeal that provision.

Mr. CLARK of Missouri. My amendment would repeal it.

Mr. NORRIS. It provides for Members of the House and Senate being on the commission. I think that is a great improvement; I like it very much; but I do not like the provision which does not make the conference mandatory.

Mr. CLARK of Missouri. As I have stated, I prefer a mandatory provision.

Mr. NORRIS. The law as it now reads is mandatory, and there was reason for that. I suppose most Senators feel

there should be a conference, and if the Senator's amendment is not adopted, there may never be a conference. Nothing may be done.

Mr. CLARK of Missouri. So far as I am concerned, Mr. President, I am very much in favor of making it mandatory.

Mr. NORRIS. I should like to know if the chairman of the committee has any objection to making it mandatory.

Mr. TYDINGS. I have no objection whatsoever to making it mandatory. If the Senate wants to do so, I certainly do not want to interpose any objection. I did tell the Senator from Missouri that I did not like the amendment to start with, but I did not dislike it so much if it was permissive rather than mandatory.

From previous contacts with this problem, I am of the opinion that this provision is going to be misinterpreted. I believe that it will be used as a vehicle to bring up the whole question all over again. And, while I think I have shown a pretty fair disposition toward the Filipino government and the people to meet every reasonable request so far as I could, so far as I have any voice, I do not like to have in the measure a provision which would enable the Filipinos to look to 1944 as a definite date, when changes affecting them might be made.

Mr. CLARK of Missouri. I should like to call attention to this provision:

> But nothing in this proviso shall be construed to modify or affect in any way any provision of this act relating to the procedure leading up to Philippine independence or the date upon which the Philippine Islands shall become independent.

Mr. TYDINGS. That is correct.

Mr. CLARK of Missouri. The Senator is well aware that that is the one provision I have insisted from the very beginning should be inserted in any bill that might be passed, in order that there may be no doubt whatever in the minds of the Filipino people or the American people that we are going to carry through the act of independence heretofore enacted.

Mr. TYDINGS. I do not want such doubt to exist. I should like to answer the Senator from Nebraska a little more in detail.

Mr. NORRIS. Before the Senator does that, may I submit to him also that under existing law, if we agree to no amendment, there is bound to be a commission?

Mr. TYDINGS. That is true, but it would be a departmental commission and would not bind the Congress. I am not going to mention any names, and I hope I will not violate any confidences, but I may suggest to the Senator that there are a good many people interested in the Philippine problem in this country and in the Philippines who are looking for the day when this particular act will be used only as a means of translating what we assume now is going to be an ultimate independence of the Philippines into a dominion status of the Philippines similar to that of Canada with relation to Great Britain. I know that that is so from many contacts.

Mr. NORRIS. If that is so, and the Senator wants to avoid that, we would have to repeal that portion of the law which would not be repealed by the amendment.

Mr. TYDINGS. Yes.

Mr. NORRIS. So it really comes down to whether we are going to have a commission at all, and if we are not going to have a commission we must repeal the law which provides for one. So after all, does it not come down to this proposition: That it is a question whether the amendment of the Senator from Missouri is better than existing law?

Mr. TYDINGS. I do not know but what it is. As I say, I am not going to object to it, but I want to make my own position clear, in even mildly being for it, that, so far as I am concerned, I am in favor of complete independence of the Philippine Islands, with no strings tied to it, as soon as we can decently and humanely, morally, financially, and economically bring it about.

Mr. NORRIS. I am, too.

Mr. TYDINGS. I know the Senator is. And, insofar as my position is concerned, and I believe the position of Congress, I do not want any of these proposed conferences which are to be held sometime in the future to be seized upon by any source in this Government or out of it, as indicating that basically the policy upon which we are now embarked of Filipino independence is going to be altered by the Congress, so far as we now know.

I am aware that certain persons here and there are hoping that gradually this whole policy can be veered into another direction; that the Filipino people will realize what a difficult time they will have ahead of them as a free nation; that with some countries nearby being warlike, and the Philippines no longer having a free market, their whole economy must pass through an evolution; that dictatorial powers may be necessary to maintain law and order. Therefore, with all these things in mind, people who at first were in favor of independence now want to retreat, not to retreat back to the old status but they want a governor and a dominion form of government.

Mr. CLARK of Missouri. In other words, they want to have their cake and eat it, too.

Mr. TYDINGS. That is perfectly true, and it is understandable why there should now be signs of a change in viewpoint in the Philippine Islands. Personally I am sorry that the conference provision was put in the original act. If the original act were pending before the Senate today I believe I should offer an amendment to eliminate the conference provisions; not that we would not consider any petition which the Philippine people might file with Congress; not that we would not give them a hearing; not that we would not meet them half way in respect of any complaint they might have, or any difficulty that might be ahead, but because of the certainty of numerous conflicts, and knowing that there are those in the Congress who think the Filipinos ought not to have their independence in the first place, and knowing there are now those in the Philippines who perhaps asked for freedom, but who now are beginning to look at it in a little different way, I am afraid in view of changed world conditions that such a conference might be used in a future Congress as a vehicle again to attach the Philippines to our country. For my part I want to get out of the Philippines at the earliest possible moment consonant with what may be called fair dealing between the two peoples.

Mr. CLARK of Missouri. Mr. President, let me say to the Senator from Maryland and to the Senate that I am certainly as thoroughly committed and as thoroughly in favor of the proposition of the United States getting out of the Philippines at the earliest possible moment as anyone could possibly be. The Senator from Maryland will recall that throughout the hearings on the original bill, which was introduced by him—not the measure now pending before the Senate, but the one introduced at the beginning of the session—I insisted that I would not vote for any bill dealing with the subject of the Philippines to any extent whatever which did not contain an explicit and emphatic provision to the effect that nothing in that bill was to be taken as in any manner whatever changing or holding out any hope of changing the fundamental conditions with regard to the political independence of the Philippine people.

I did state, however, that I thought the people of the United States in making this separation after 40 years' connection with the people of the Philippines—a connection which the people of the Philippines did not seek—could afford to be very generous in their economic relationships, and to that view I adhere. I stated that I would oppose any measure dealing with the Philippines which did not contain such a provision as I have referred to, and such a provision as is contained in the pending amendment, making it perfectly clear that nothing is to change the political status. I may say that I received a telegram from the President of the Philippine Commonwealth setting forth his views to the effect that nothing contained in this measure should be taken as changing the political status of the Philippine Islands, which communication I read to the Committee on Territories and Insular Affairs when I was attempting to have reported a measure to bring about economic justice to the people of the Philippines.

In view of the statements of the chairman of the committee, I desire to modify my amendment again to make it mandatory and explicitly repeal, as I thought I had done, the provisions of section 13 of the act now before us, so as to read as follows:

Insert on page 15, after line 2, the following as a new section: "SEC. 4. Section 13 of the said act of March 24, 1934, is hereby amended by striking out the proviso and inserting in lieu thereof the following."

That strikes out the provision which at the present time provides for the mandatory commission to be created 1 year before independence, and inserting in lieu thereof the following:

Provided, That at least 2 years prior to the date fixed in this act for the independence of the Philippine Islands, there shall be held a conference of representatives of the Government of the United States and the government of the Commonwealth of the Philippine Islands, the representatives of the United States to consist of three United States Senators, appointed by the President of the Senate, three Members of the House of Representatives, appointed by the Speaker of the House, and six persons appointed by the President of the United States.

That is a provision to provide for a representation of the Senate of the United States, a representation of the House of Representatives of the United States, and an equal representation to be appointed by the President of the United States, which incidentally represents the number of representatives that now are on the interdepartmental committee.

A like number of representatives of the Philippine government shall be invited to be appointed by the President of the Philippine Commonwealth, with the consent of the Commission on Appointments; the purpose of the conference shall be to formulate recommendations as to future trade relations between the Government of the United States and the independent government of the Philippine Islands, the time, place, and manner of holding such conference to be determined by the President of the United States; but nothing in this proviso—

And I mention this particularly in reference to the statement made by the Senator from Maryland [Mr. TYDINGS]—

but nothing in this proviso shall be construed to modify or affect in any way any provision of this act relating to the procedure leading up to Philippine independence or the date upon which the Philippine Islands shall become independent.

That certainly meets every objection raised by the Senator from Maryland. The remainder of the amendment is as previously reported, having to do simply with vacancies in the Commission.

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

Mr. CLARK of Missouri. I yield.

Mr. KING. As the Senator reads his amendment, there occurs to me the question of the propriety or authority of the United States to say that the Philippine Commonwealth shall appoint representatives to take part in the formulation of the plan.

Mr. CLARK of Missouri. I will say to the Senator that that provision is in the existing law.

Mr. KING. I know it is in the existing law. There is some question in my mind as to the propriety of our Government saying to the Commonwealth, "You shall appoint representatives to participate in this conference." Undoubtedly the Commonwealth will desire to have representation.

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

Mr. CLARK of Missouri. I yield.

Mr. PITTMAN. The word "may" might be substituted.

Mr. KING. I do not wish to change the existing law. I do not want it to appear that our Government assumes autocratic and tyrannical authority, and says to the Commonwealth, "You shall appoint representatives to take part in this conference."

Mr. CLARK of Missouri. Certainly nothing was further from my thought than to insist that the President of the Philippine Commonwealth do anything. I shall be glad to state the matter in the permissive form.

Mr. KING. It is simply a question of comity. I should not want our Philippine brethren to feel that we were assuming the right to say what they shall do.

Mr. PITTMAN. Mr. President——

The PRESIDING OFFICER. Does the Senator from Missouri yield to the Senator from Nevada?

Mr. CLARK of Missouri. I yield the floor, Mr. President.

Mr. PITTMAN. Mr. President, some question has been raised as to the insertion in the original act of the provision for a commission and a conference. That provision was discussed at length on several occasions. It seemed evident at the time the act was passed that there might be developments which would require some change in the law after the Philippine Islands became sovereign. The law as it stands treats the sovereignty of the Philippine Islands as any other sovereignty, subject to all the restrictions in tariff and other matters placed upon any other foreign country. At the time we drafted that act some of the members of the committee insisted that a rising tariff tax should be placed upon Philippine goods during the period of the Commonwealth and before the period of sovereignty, so as gradually to adjust the conditions of the islands to a complete tariff restriction after they became sovereign.

However, at the present time, from the evidence which has been submitted to the Committee on Territories and Insular Affairs on the original bill which was presented—and the pending bill is only half the bill which was originally presented—it is perfectly evident that we could not place such restrictions upon the sovereignty of the Philippine Islands after 1946 without practically destroying their entire economic system. The bill as originally presented to our committee by Dr. Sayre on behalf of the Interdepartmental Committee extended the period of gradual reduction of tariffs until 1961.

However, there had not been sufficient consideration of that bill. We knew nothing about the bill until it was sent to us by Dr. Sayre and handed over to the chairman of the committee to introduce. After weeks of hearings of experts in every Department, the committee became satisfied that it was not sufficiently advised to pass that kind of a bill at this time; and therefore the bill we are now considering deals only with quotas instead of taxes up until the time of sovereignty.

It is evident from the hearings before the committee that we shall be faced with numerous new problems when the time comes to decide how we shall treat the sovereignty of the Philippine Islands. We must treat them fairly after they become sovereign. We cannot afford to destroy them. There will have to be consideration of this subject under the commission to be appointed under the present act, and that consideration will probably be by one or two members of the Department. There will be a consideration by the proposed commission; or, if we repeal what is in the present law and have nothing, the President himself will send somebody to negotiate, because he has the inherent authority to do that if he wishes. The result will be just as the result was at this session of Congress: We shall have a detailed bill thrown in on the committee with no time to consider it.

I think the pending amendment is of extreme importance to the Philippine Islands as well as to the United States.

Mr. NORRIS. Mr. President, at the time the Senator from Missouri [Mr. CLARK] and the Senator from Utah [Mr. KING] were discussing the question of the use of "may" instead of "shall," I had it in mind to suggest that it seemed to me that neither of those words is quite right. I intended to suggest for the consideration of the Senator from Missouri [Mr. CLARK] the use of the word "invite."

Mr. CLARK of Missouri. Mr. President, that modification is entirely agreeable to me. Page 1, line 11, of the amendment would be modified to read:

Shall be invited to appoint a like number of representatives of the Philippine government.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment offered by the Senator from Missouri.

The amendment as modified was agreed to.

Mr. MILLER. Mr. President, I send to the desk an amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Arkansas will be stated.

The LEGISLATIVE CLERK. One page 6 it is proposed to strike out all of lines 1 to 7, inclusive, and to insert in lieu thereof the following:

(2) The quotas established by the act of June 14, 1935 (49 Stat. 340), and herein established for the commodities enumerated in such act, shall be allocated by the authorities of the Philippine government among the manufacturers of such commodities proportionately upon the following basis:

(a) The number of spindles which were installed as of February 1, 1939, for use in spinning hard-fiber yarns in each mill manufacturing such commodities.

(b) The average annual production of each of said manufacturers for the calendar years 1931, 1932, and 1933.

(c) The amount or quantity each manufacturer shipped to the United States in the 12 months immediately preceding the inauguration of the commonwealth.

Mr. MILLER. Mr. President, the purpose of the amendment is merely to strike out the provision in the bill which authorizes the allocation of the cordage shipments to this country and directs that the amount shall be reallocated under the three formulas set forth in the bill. I have undertaken to follow the original act as well as the Cordage Act and the Sugar Act. To be perfectly frank, my purpose is to have the question go to conference, so that the injustices which apparently exist under the Executive order may be eliminated.

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

Mr. MILLER. I yield.

Mr. KING. Does the amendment seek to impose upon the Philippine manufacturers or producers a category which may be offensive to them or unfair or discriminatory to them?

Mr. MILLER. No; it does not. I do not see how it could be discriminatory.

Mr. KING. I mean discriminatory in favor of one section of the Philippines as against another section or one person as against another.

Mr. MILLER. That is what I am trying to avoid. For instance, one firm now has 63 percent of the cordage business. An American firm has 1 percent.

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

Mr. MILLER. I yield.

Mr. TYDINGS. I think the Senator from Arkansas wants to do the fair thing. I do not know whether or not his amendment accomplishes what he desires. It is directed toward a worthy purpose. The situation is that the amount of cordage produced in the Philippines which can be shipped to this country is limited.

The Senator wants to make sure that in the allocation of the cordage no one interest obtains all the business, and he has tried to take the same sort of formula that was previously used, insofar as such cordage comes to our country. I told the Senator quite frankly that the committee had not considered that phase of the question, and that, while I personally would not oppose his amendment, it was quite likely that it might have to be dropped or altered in conference. I know it is the desire of the Congress to deal fairly with the respective interests in the Philippines, and not to allow any one or two or three firms to take all the business and exclude others, particularly when a part of the business is operated by continental American capital.

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

Mr. MILLER. I yield.

Mr. LODGE. I should like to ask the Senator whether or not his amendment, which I have just heard read for the first time, would result in an increase in the amount of cordage coming to this country.

Mr. MILLER. Oh, no! It would not change the situation at all.

Mr. LODGE. It would not change the quantity?

Mr. MILLER. Not at all.

Mr. KING. Mr. President, I shall not object to the amendment going to conference; but I should be unwilling to have the Senate of the United States assume to direct the manufacturers or the people of the Philippines as to how they should allocate whatever commodities they produce for shipment to the United States.

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

Mr. MILLER. I yield.

Mr. TYDINGS. I think the point of the Senator from Utah is well taken. I think perhaps in conference we can find some way of accomplishing the desired object without doing that against which the Senator from Utah protests.

Mr. MILLER. I think so.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Arkansas [Mr. MILLER].

The amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendments to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

AMENDMENT OF SECOND LIBERTY BOND ACT

Mr. HARRISON. Mr. President, I move that the Senate proceed to the consideration of House bill 5748. It is a bill to amend the Second Liberty Bond Act, as amended. It does not increase limitation on the national debt, but it eliminates the partition within the $45,000,000,000 limit.

I may say, in making the motion, that I expect to follow it by asking that the bill be made the unfinished business, and shall not press it tonight. I merely move that it be considered.

Mr. AUSTIN. Mr. President, I ask to have the motion stated.

The PRESIDING OFFICER. The Senator from Mississippi moves that the Senate proceed to the consideration of a bill the title of which will be stated by the clerk.

The LEGISLATIVE CLERK. A bill (H. R. 5748) to amend the Second Liberty Bond Act, as amended.

Mr. HARRISON. Mr. President, I shall not proceed with the bill tonight. The Senator from Utah [Mr. KING] desires to discuss it tomorrow. It is so late tonight that I merely desire to have the bill made the unfinished business.

The PRESIDING OFFICER. The question is on the motion of the Senator from Mississippi.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 5748) to amend the Second Liberty Bond Act, as amended.

Mr. NORRIS. Mr. President, I offer an amendment to the bill which has just been made the unfinished business. I ask that it be printed and lie on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair) laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

Mr. PITTMAN, from the Committee on Foreign Relations, reported favorably the nominations of sundry persons for promotion in the Foreign Service.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of several postmasters.

Mr. ADAMS, from the Committee on Public Lands and Surveys, reported favorably the nomination of Mrs. Jessie M. Gardner, of Colorado, to be register of the land office at Denver, Colo. (Reappointment.)

Mr. WHEELER, from the Committee on Interstate Commerce, reported favorably the nomination of David J. Lewis, of Maryland, to be a member of the National Mediation Board for the remainder of the term expiring February 1, 1940, vice William M. Leiserson.

Mr. ASHURST (for Mr. O'MAHONEY), from the Committee on the Judiciary, reported favorably the nomination of Robert N. Wilkin, of Ohio, to be United States district judge for the northern district of Ohio, vice Samuel H. West, deceased.

Mr. AUSTIN (for Mr. HUGHES), from the Committee on the Judiciary, reported favorably the nomination of Calvert Magruder, of Massachusetts, to be judge of the United States Circuit Court of Appeals for the First Circuit, vice George H. Bingham, retired.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will state the nominations on the Executive Calendar.

THE JUDICIARY—LESLIE R. DARR

The legislative clerk read the nomination of Leslie R. Darr to be United States district judge for the middle and eastern districts of Tennessee.

Mr. KING. Mr. President, I ask the Senator from Tennessee [Mr. McKELLAR] whether the confirmation of the judge with this title will in any way affect the bill which is pending before the Judiciary Committee which, as I understand, looks toward the ultimate creation of a new district in Tennessee.

Mr. McKELLAR. No; the confirmation of this nominee will not do that. This is a roving judge, and his confirmation would have nothing to do with that bill unless the bill should become a law, in which event he would become judge of that district.

I may say that this nomination was previously reported to the Senate by the committee; but the initials were wrong, and the nomination had to be sent back to the White House. This is a second submission of the nomination. I hope the Senator from Utah will allow it to be confirmed.

Mr. KING. The only point I was attempting to make is that there is pending before the Judiciary Committee a bill of the kind I have stated; and at the last meeting of the committee some objection was made to its being favorably reported because there was some question as to what its effect would be, whether it contemplated the creation of a new district or what effect it might have upon the nomination which is now before the Senate.

Mr. McKELLAR. The confirmation of this judge's nomination would have no effect on that bill.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination? Without objection, the nomination is confirmed.

Mr. McKELLAR. I ask unanimous consent that the President be notified of the confirmation of this nomination.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the next nomination on the calendar.

LEO CALVIN CRAWFORD

The legislative clerk read the nomination of Leo Calvin Crawford to be United States attorney for the southern district of Ohio.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask that the nominations of postmasters be confirmed en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

That concludes the calendar.

RECESS

Mr. BARKLEY. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 7 minutes p. m.) the Senate took a recess until tomorrow, Thursday, June 1, 1939, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 31, 1939

DIPLOMATIC AND FOREIGN SERVICE

Howard Bucknell, Jr., of Georgia, now a Foreign Service officer of class 3 and a secretary in the Diplomatic Service, to be also a consul general of the United States of America.

COLLECTOR OF INTERNAL REVENUE

William P. Bowers, of Columbia, S. C., to be collector of internal revenue for the district of South Carolina, to fill an existing vacancy.

CONFIRMATONS

Executive nominations confirmed by the Senate May 31, 1939

UNITED STATES DISTRICT JUDGE

Leslie R. Darr to be United States district judge for the middle and eastern districts of Tennessee.

UNITED STATES ATTORNEY

Leo Calvin Crawford to be United States attorney for the southern district of Ohio.

POSTMASTERS

MINNESOTA

Margaret E. Mahling, Randall.
Morten G. Pedersen, Tyler.

OKLAHOMA

Robert P. McCoy, Haworth.
Clarence C. Russell, Wilson.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 31, 1939

The House met at 12 o'clock noon.

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

O Christ, our Saviour and Redeemer, through endless years the same, we lift our prayer to Thee. We bless Thee that across the troubled waves of the sea of life comes the assurance: "I will never leave nor forsake thee." Underneath our stumbling doubts and our bewildering griefs are the everlasting arms of power and unchangeable goodness. Do Thou grant to those who desire the vision of wisdom, a stronger faith, the spirit of patience, and Thy directive presence. We pray that the Congress may heed the call of duty, and may the pride of our lives be to serve all men with free minds and warm hearts. Heavenly Father, inspire us all with those plain, heroic virtues out of which good men and great souls are fashioned, and men who lift the world and roll it in another course. In the holy name of Jesus. Amen.

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

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. St. Claire, one of its clerks, announced that the Senate had passed bills and a joint resolution of the following titles, in which the concurrence of the House is requested:

S. 485. An act providing for the cancelation of certain charges under section 20 of the River and Harbor Act of March 3, 1899;

S. 555. An act for the relief of Addison B. Hampel;

S. 581. An act for the relief of Robert H. Muirhead;

S. 683. An act for the relief of Fae Banas;

S. 809. An act for the relief of Jessie M. Durst;

S. 1031. An act to amend section 243 of the Penal Code of the United States, as amended by the act of June 15, 1935 (49 Stat. 378), relating to the marking of packages containing wild animals and birds and parts thereof;

S. 1047. An act for the relief of Emerson J. French;

S. 1229. An act for the relief of Ernest Clinton and Frederick P. Deragisch;

S. 1335. An act relating to the filing of affidavits of prejudice in the District Court for the District of Alaska;

S. 1409. An act to authorize the conveyance by the United States to the town of Bristol, Maine, of a portion of the Pemaquid Point Lighthouse Reservation, and for other purposes;

S. 1414. An act for the relief of Allie Holsomback and Lonnie Taylor;

S. 1527. An act for the relief of Joseph Lopez Ramos;

S. 1542. An act to authorize the Director of the Geological Survey, under the general supervision of the Secretary of the Interior, to acquire certain collections for the United States;

S. 1722. An act for the relief of Hannis Hoven;

S. 1806. An act to provide for the construction and equipment of a building for the experiment station of the Bureau of Mines at Rolla, Mo.;

S. 1816. An act for the relief of Montie S. Carlisle;

S. 1982. An act to convey certain property to the city of El Campo, Tex.;

S. 2067. An act for the relief of Leslie J. Frane and Charles Frane;

S. 2114. An act for the relief of Virginia Pearson;

S. 2307. An act to amend section 3 of the act entitled "An act to authorize the construction of certain bridges and to extend the times for commencing and completing the construction of other bridges over the navigable waters of the United States," approved June 10, 1930, as amended and extended, and for other purposes;

S. 2330. An act to authorize cooperation with other American republics in accordance with treaties, resolutions, declarations, and recommendations by all of the 21 American republics at the Inter-American Conference for the Maintenance of Peace;

S. 2404. An act to authorize the disposal of the Portland, Oreg., old courthouse building;

S. 2454. An act to relieve disbursing officers and certifying officers of the Veterans' Administration from liability for payment where recovery of such payment is waived under existing laws administered by the Veterans' Administration; and

S. J. Res. 95. Joint resolution to change the name of the Mud Mountain Dam and Reservoir.

The message also announced that the Senate had passed the following resolutions:

Senate Resolution 138

MAY 29 (legislative day, MAY 19), 1939.

Resolved, That the Senate has heard with profound sorrow of the death of Hon. ROYAL S. COPELAND, late a Senator from the State of New York.

Resolved, That as a mark of respect to the memory of the deceased Senator the business of the Senate be now suspended to enable his associates to pay tribute to his high character and distinguished public service.

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

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

Senate Resolution 139

MAY 29 (legislative day, MAY 19), 1939.

Resolved, That the Senate has heard with profound sorrow of the death of Hon. JAMES HAMILTON LEWIS, late a Senator from the State of Illinois.

Resolved, That as a mark of respect to the memory of the deceased Senator the business of the Senate be now suspended to enable his associates to pay tribute to his high character and distinguished public service.

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

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

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on the following dates the President approved and signed joint resolutions and bills of the House of the following titles:

On April 29, 1939:

H. R. 5287. An act relating to the importation of distilled spirits for consumption at the New York World's Fair, 1939, and the Golden Gate International Exposition of 1939, and to duties on certain articles to be exhibited at the New York World's Fair, 1939.

On May 2, 1939:

H. R. 2074. An act for the relief of Junius Alexander; and

H. R. 5219. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1939, and for prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1939, and June 30, 1940, and for other purposes.

On May 3, 1939:

H. R. 2061. An act for the relief of Ernest O. Robinette and others;

H. R. 2098. An act for the relief of Katherine Patterson;

H. R. 2320. An act to provide domiciliary care, medical and hospital treatment, and burial benefits to certain veterans of the Spanish-American War, the Philippine Insurrection, and the Boxer Rebellion; and

H. R. 3134. An act to amend the act entitled "An act authorizing the temporary detail of United States employees, possessing certain qualifications, to governments of American republics and the Philippines, and for other purposes," approved May 25, 1938.

On May 6, 1939:

H. R. 4492. An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1940, and for other purposes; and

H. J. Res. 279. Joint resolution making supplemental appropriations for printing and binding and stationery for the Treasury Department for the fiscal year ending June 30, 1939.

On May 10, 1939:

H. R. 1694. An act for the relief of Bozzani Motors, Ltd.; and

H. R. 4852. An act making appropriations for the Department of the Interior for the fiscal year ending June 30, 1940, and for other purposes.

On May 11, 1939:

H. R. 2529. An act for the relief of W. F. Towson; and

H. R. 3587. An act to authorize the Secretary of War to exchange obsolete, unsuitable, and unserviceable machines and tools pertaining to the manufacture or repair of ordnance matériel for new machines and tools.

On May 12, 1939:

H. R. 3811. An act to provide for the appraisal of the pneumatic mail-tube systems in New York and Boston;

H. R. 4087. An act to amend an act entitled "An act for making further and more effectual provision for the national defense, and for other purposes," approved June 3, 1916, as amended by the act of June 4, 1920, so as to confer on the commanding general, General Headquarters Air Force, the same retirement privileges now enjoyed by chiefs of branches;

H. R. 4772. An act to provide time credits for substitutes in the pneumatic-tube service;

H. R. 4785. An act to provide a differential in pay for night work to pneumatic-tube system employees in the Postal Service;

H. R. 4786. An act to extend the provisions of the 40-hour law to pneumatic-tube system employees in the Postal Service; and

H. J. Res. 221. Joint resolution authorizing the President to invite other nations to participate in the Sacramento Golden Empire Centennial commemorating the one hundredth anniversary of the founding of Sacramento by Capt. John A. Sutter.

On May 15, 1939:

H. R. 3230. An act to amend the statutes providing punishment for transmitting threatening communications;

H. R. 3231. An act to authorize the mailing of pistols, revolvers, and other firearms capable of being concealed on the person, to officers of the Coast Guard;

H. R. 3812. An act granting postal employees credit for Saturday in annual and sick-leave law, thereby conforming to the 40-hour workweek or 5-day-week law;

H. R. 4771. An act limiting working hours of pneumatic-tube system employees to 8 in 10 hours a day; and

H. J. Res. 241. Joint resolution providing for the participation of the United States in the celebration of the one hundred and fiftieth anniversary of the establishment of the United States Lighthouse Service.

On May 25, 1939:

H. R. 6149. An act making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1940, and for other purposes.

On May 26, 1939:

H. R. 1774. An act to authorize the transfer to the State of Minnesota of the Fort Snelling bridge at Fort Snelling, Minn.;

H. R. 3593. An act authorizing and directing the Secretary of War to execute an easement deed to the city of Duluth for park, recreational, and other public purposes covering certain federally owned lands; and

H. R. 5746. An act to provide for the correction of the list of approved Pine Ridge lost allotment claims, and for other purposes.

COMMITTEE ON THE JUDICIARY

Mr. HOBBS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent that that committee may continue its sittings in connection with the hearings on the railway reorganization bill during the sessions of the Congress for the remainder of this week.

The SPEAKER. Is there objection to the request of the gentleman from Alabama [Mr. HOBBS]?

There was no objection.

EXTENSION OF REMARKS

Mr. ROBERTSON. Mr. Speaker, I ask unanimous consent to insert in the Appendix of the RECORD excerpts from the testimony given before the Ways and Means Committee of certain experts on the subject of transaction taxes, and in this connection I read the following letter:

UNITED STATES GOVERNMENT PRINTING OFFICE,
Washington, D. C., May 31, 1939.

Memorandum for Hon. ROBERT L. DOUGHTON:

You are advised that the attached manuscript on tax rates will make three and one-half pages of the CONGRESSIONAL RECORD at an estimated cost of $158.

The SPEAKER. Is there objection to the request of the gentleman from Virginia [Mr. ROBERTSON]?

There was no objection.

Mr. TERRY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an address delivered by Secretary Wallace at Little Rock, Ark., last Friday.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas [Mr. TERRY]?

There was no objection.

Mr. BARRY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a Memorial Day address.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. BARRY]?

There was no objection.

ADMINISTRATION OF WAGE AND HOUR ACT

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. COCHRAN]?

There was no objection.

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and to include therein a letter to the Wages and Hours Committee.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. COCHRAN]?

There was no objection.

Mr. COCHRAN. Mr. Speaker, last week I was invited to appear before Industry Committee No. 6 for Shoe Manufacturing and Allied Industries considering the question of compensation under the Wage and Hour Act. I did not appear before that committee for several reasons which I set out in a communication addressed to the committee, which reads as follows:

MAY 26, 1939.

INDUSTRY COMMITTEE NO. 6 FOR SHOE
MANUFACTURING AND ALLIED INDUSTRIES,
Wage and Hour Division, Department of Labor,
Washington, D. C.

GENTLEMEN: It has come to my notice that a number of Members of Congress from both sides of the Capitol appeared before your committee Thursday and Friday of this week in connection with your public hearing.

I was requested to appear before your committee, but I declined, as I felt it would be highly unethical. I cannot see where it is the duty of a Member of Congress to enter into a discussion before a committee of this character on any administrative procedure. My view is that Congress should confine itself to legislation and let those who are responsible administer the law. So long as the law is being properly administered Congress should let the administration alone, but if information comes to the Congress that the law is not being properly administered, then, and not until then, is it the duty of Congress to take any action.

I do not know whether it is true or not, as I was not present, but I was told that at least one Member intimated if the law was not properly administered, Congress would repeal the act. In reply to that I will say that the wage and hour law will be on the statute books long after the ones who are now in Congress have passed away.

It is needless for me to tell you that your committee has at its disposal Government agencies that will supply you with statistics and facts, including cost of living at various locations, etc., which might not be advanced by the employers or the employees.

If the committee is in doubt as to the interpretation of any part of the act, the legal division of the Wage and Hour Administration is certainly in a position to furnish that information.

I would no more attempt to influence your committee than I would a Federal judge, and it is my hope all questions arising under the Wage and Hour Act will be decided on the facts and the committee and the Administrator will ignore the pressure.

Sincerely yours,

JOHN J. COCHRAN.

Mr. Speaker, I have outlined my views on this subject so that my constituents will understand my attitude now and in the future.

Probably some of my colleagues will take issue with what I have to say, but I am certainly entitled to express my opinion, even if we are in disagreement.

If Members of the House and Senate are going to attend every hearing that is held, we will soon find a debate between Members of Congress on every issue presented to the Wage and Hour Administration. Congress provided by law how these disputes should be settled, and, while of course we did not prohibit Congressmen or Senators from appearing before a committee, still it seems to me we should refrain from trying to influence the decision of a committee set up in pursuance to law.

We are receiving complaints every day in regard to the administration of some laws enacted to benefit both employer and employee, but so far as I know the administration of the Wage and Hour Act has up to the moment been commended rather than condemned. I have confidence in the Administrator and the committees to work out these problems, and, as I said in my letter, I sincerely hope both will render their decisions on the facts and ignore the pressure.

EXTENSION OF REMARKS

Mr. SMITH of Washington. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a Memorial Day address which I delivered yesterday at the United States Soldiers' Home and to include therein a statement of Mrs. John A. Logan.

The SPEAKER. Is there objection to the request of the gentleman from Washington [Mr. SMITH]?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I shall make today on H. R. 6466, the Townsend bill, by inserting certain letters and memorandum from argricultural and labor organizations, and other material having a direct bearing on the

bill, and which would be of interest to the Members of the House. The estimate I have received from the Public Printer is that it would require approximately 4 pages of the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a table.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. REED]?

There was no objection.

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a memorial address which I delivered on yesterday.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. DONDERO]?

There was no objection.

Mr. YOUNGDAHL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a telegram received this morning.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. YOUNGDAHL]?

There was no objection.

Mr. THILL. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an article from the Republican Observer. I also ask unanimous consent to extend my own remarks in the RECORD and include a poem entitled "America's Our Father."

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

There was no objection.

Mr. WELCH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein California State Senate Joint Resolution No. 5, with regard to shipbuilding on the Pacific coast.

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

There was no objection.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD with regard to our deceased colleague, Hon. Bert Lord.

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

There was no objection.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein a statement by a former Member of the House, Mr. Pettengill, of South Bend, Ind.

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

There was no objection.

AMENDMENT OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Mr. JONES of Texas. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 1569) to amend the Agricultural Adjustment Act of 1938, with House amendments thereto, insist on the House amendments, and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas? [After a pause.] The Chair hears none and appoints the following conferees on the part of the House: Mr. JONES of Texas, Mr. DOXEY, and Mr. HOPE.

EXTENSION OF REMARKS

Mr. COX. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by inserting therein an address delivered by our colleague the gentleman from Vermont [Mr. PLUMLEY] during the past week at a school in my State.

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

There was no objection.

THE TOWNSEND PLAN

Mr. COX. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 205 and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 205

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 6466, a bill to provide for and promote the general welfare of the United States by supplying to the people a more liberal distribution and increase of purchasing power, retiring certain citizens from gainful employment, improving and stabilizing gainful employment for other citizens, stimulating agricultural and industrial production and general business, and alleviating the hazards and insecurity of old age and unemployment, etc., and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the Committee shall rise and report the bill to the House and the previous question shall be considered as ordered on the bill to final passage without intervening motion except one motion to recommit.

Mr. COX. Mr. Speaker, of the time allowed for debate I yield 30 minutes to the gentleman from Michigan [Mr. MAPES], to be in turn yielded by him as he sees fit.

The SPEAKER. The gentleman from Georgia is recognized for 30 minutes.

Mr. COX. Mr. Speaker, this resolution simply proposes to provide for the consideration of the so-called Townsend bill. From reading the resolution Members will observe that this is what is called a closed rule. I should like to say to the House that the Committee on Rules was somewhat reluctant to report a closed rule for the consideration of this measure, but the author of the bill and, we understand, the founder of the movement, as well as the Committee on Ways and Means, asked for this rule in the form in which it is now pending.

Except for the fact that the measure is one that for a number of years has claimed public attention throughout the country, your Committee on Rules would probably have not, even upon request of the Committee on Ways and Means, have reported a resolution for the consideration of a measure that was reported out without any recommendation whatever. The procedure is somewhat unusual.

I am sure the Members of the House would welcome an explanation of the circumstances and the reasons under which and by which this bill was reported from the Committee on Ways and Means. For the purpose of their being accommodated in that respect, I yield 5 minutes to the gentleman from North Carolina [Mr. DOUGHTON], the chairman of the Committee on Ways and Means.

The SPEAKER. The gentleman from North Carolina is recognized for 5 minutes.

Mr. MARTIN J. KENNEDY rose.

The SPEAKER. For what purpose does the gentleman from New York rise?

Mr. MARTIN J. KENNEDY. Mr. Speaker, I rise to propound a parliamentary inquiry.

The SPEAKER. Does the gentleman from North Carolina yield for that purpose?

Mr. DOUGHTON. If it will not come out of my time.

The SPEAKER. It would have to come out of the time of the gentleman.

Mr. DOUGHTON. I cannot yield if it comes out of my time. I do not have control of the time; the Rules Committee controls the time.

The SPEAKER. The gentleman from North Carolina can yield during his time, but if the gentleman from North Carolina yields, of course the time will be taken out of his time.

Mr. MARTIN J. KENNEDY. Mr. Speaker, I ask unanimous consent that the time of the gentleman may be extended 2 minutes in order that I may propound my parliamentary inquiry.

The SPEAKER. Is the gentleman from New York of the opinion that his parliamentary inquiry can be propounded and an answer given within 2 minutes? The Chair does not

know what reply he will have to make to the inquiry. The gentleman from New York could ask unanimous consent that he be permitted to propound a parliamentary inquiry and that an answer be given by the Chair without its being taken out of the time under the rule.

Mr. MARTIN J. KENNEDY. Mr. Speaker, I ask unanimous consent that I be permitted to propound a parliamentary inquiry, with the reservation that the time be not taken out of the time of the gentleman from North Carolina.

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

Mr. RAYBURN. Reserving the right to object, Mr. Speaker, I have no idea how much time it will take for the gentleman from New York to propound his parliamentary inquiry. The gentleman has in his hand a document which might take some time to read. If the gentleman desires to propound a parliamentary inquiry without making a speech, an inquiry that can be submitted in a few words and answered "yes" or "no" by the Speaker, I have no objection; but if the gentleman has a parliamentary inquiry whose submission will take some time, I feel constrained to object.

Mr. MARTIN J. KENNEDY. I am pleased to tell the gentleman it will take me only a half minute to propound my parliamentary inquiry.

Mr. RAYBURN. I have no objection, Mr. Speaker.

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

Mr. RAYBURN. I have no objection to the gentleman's proceeding for a half minute.

There was no objection.

Mr. MARTIN J. KENNEDY. Mr. Speaker, I have ascertained that about 134 Members of this House are over 60 years of age, and, therefore, they might be considered to have a direct personal interest in the pending bill, H. R. 6466, known as the Townsend plan. I regard all the Members as men of honor, but I feel that in such an important issue as the pending one——

Mr. SWEENEY. Mr. Speaker, a point of order. The gentleman is not rising to a parliamentary inquiry.

Mr. MARTIN J. KENNEDY. I will state it in just a second if the gentleman will permit me to proceed.

I feel that in such an important issue as the pending one the House and the country are entitled to know whether or not these Members over the age of 60 are disqualified to vote under rule VIII of the House. If this bill passes they will automatically become immediate beneficiaries under the provisions of the bill. Therefore, Mr. Speaker, my parliamentary inquiry is, Are such Members disqualified from voting on this bill?

The SPEAKER. The gentleman from New York has propounded a parliamentary inquiry which, of course, the Chair assumes is propounded in good faith, and the Chair imagines that the gentleman has in mind rule VIII of the House of Representatives, which is in the following language:

> Every Member shall be present within the Hall of the House during its sittings unless excused or necessarily prevented, and shall vote on each question put unless he has a direct personal or pecuniary interest in the event of such question.

The Chair does not feel, in view of the pressing circumstances with respect to time, it is necessary to undertake to elaborate upon this question, as it is certainly not a novel one, and in the brief time since the gentleman gave notice he would propound his parliamentary inquiry the Chair has found that this question has been specifically presented to the House on a number of occasions and finds that very thoughtful and elaborate opinions have been rendered upon this point, particularly by Mr. Speaker Blaine (Hinds' Precedents, vol. V, sec. 5952), by Mr. Speaker Longworth (Cannon's Precedents, vol. VIII, sec. 3072), and by Mr. Speaker Clark (Cannon's Precedent's, vol. VIII, sec. 3071), all of whom join in the conclusion stated in the syllabus of the Blaine opinion in the following language:

> Where the subject matter before the House affects a class rather than individuals, the personal interest of Members who belong to that class is not such as to disqualify them from voting.
>
> The power of the House to deprive one of its Members of the right to vote on any question is doubtful.

If the Chair were disposed to elaborate upon the opinion announced in the Blaine decision, it might be proper for him to read extracts from that decision. However, it seems to be well determined—and the Chair thinks it is based on sound reasoning and philosophy—that where a bill comes up affecting a general class of people and no direct or personal pecuniary interest of a Member as such is involved, Members are not proscribed in absolute good faith and in all morality from voting upon a bill of that character.

If the rule were otherwise, all of us would probably be subject to some prohibition in the way of voting upon Federal taxation. It might be taken to excuse ourselves from voting upon such questions because our pecuniary interests are involved. A number of other suggestions might be made along the same line.

So the Chair answers the parliamentary inquiry of the gentleman from New York to the effect that under the rulings of former Speakers in well-considered opinions and as a matter of constitutional right the Members can, and should, in all good faith vote upon the bill now involved.

Mr. DOUGHTON. Mr. Speaker, there has been considerable discussion and some criticism of the action of the Committee on Ways and Means in reporting the bill H. R. 6466, known as the Hendricks or Townsend bill, to the House without recommendation. It is a fact that this is an unusual procedure, and so far as I recall this is the first bill that has ever been reported in this manner by the Ways and Means Committee since I have been a member of that committee, some 14 or 15 years, and, certainly, the first bill that has been reported in this way since I have been its chairman. But we were confronted with an unusual situation, Mr. Speaker.

Never in all my knowledge of the work of our committee has there been such universal or general demand that the House be given an opportunity to consider any measure that has been before our committee. I received more than 25,000 letters urging, and some demanding, that this measure be reported out by our committee so that the Members could have an opportunity to express themselves upon it.

In addition to this, Mr. Speaker, scores, and I may say hundreds, of Members of this House, some for and some against the measure, some favorable and some unfavorable, have said to me that they felt that this bill is of sufficient importance to the membership of the House and to the entire country that the Members should be given an opportunity to vote on it.

So far as I know, Mr. Speaker, there is not one of the 25 members of our committee who were present during all the hearings and heard the testimony taken by our committee who is favorable to this bill. I have not heard them all express themselves, but I feel sure that I am on safe ground when I make this statement, because, while the opportunity was given, no member of our committee made a motion to report the bill favorably, although, as I say, such opportunity was afforded. Therefore, we felt that in consideration of the widespread demand and the earnest insistence coming to us from all directions, especially, I repeat, from Members of the House, those favorable and those unfavorable, that we would be derelict in our duty and our responsibility if we smothered the bill in committee, as we were charged with doing, and did not in some way give the membership of the House an opportunity to express itself.

Mr. LAMBERTSON. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. LAMBERTSON. Is it true that not one member of the gentleman's committee after 5 months of hearings in the committee favored the bill?

Mr. DOUGHTON. None of them moved to report it favorably, and I take it from that that no one was strenuously in favor of it.

Mr. LAMBERTSON. After a hearing of 5 months?

Mr. DOUGHTON. Nearly 3 months, and the longer it was heard the more unfavorable the committee was toward it.

Mr. LAMBERTSON. Does not the gentleman think that the House had a right to expect a verdict on those hearings?

Mr. DOUGHTON. It is not a question of what I think. It is the judgment of our committee that this is the most practical proceeding that we could take.

Mr. DIRKSEN. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. DIRKSEN. Was there a formal request made for an open rule by the proponents of the measure?

Mr. DOUGHTON. No, there was not, that I ever heard of.

Mr. DIRKSEN. I was informed that a request for an open rule is still before the Committee on Ways and Means.

Mr. DOUGHTON. By whom? I never heard of it until now. This is the first intimation I ever had of it.

Mr. McCORMACK. As a matter of fact the request of the proponents of the measure was for a closed rule.

Mr. DOUGHTON. The proponents of the measure insisted on a closed rule. Some might call it a gag rule. We deferred to the request, almost the demand, of the proponents of the measure.

The SPEAKER. The time of the gentleman from North Carolina has expired.

Mr. COX. Mr. Speaker, I yield the gentleman 2 minutes more.

Mr. SWEENEY. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. SWEENEY. Does the distinguished chairman of the Committee on Ways and Means state for the purpose of the RECORD that no member of the Ways and Means Committee will vote for this bill?

Mr. DOUGHTON. No; I did not say that. I said I felt that none of them was favorable to it for the reason that no one moved to report it favorably.

Mr. BUCK. Not merely did no one move to report it favorably, but the chairman asked whether there was any member present in a full committee meeting who desired to make such a motion.

Mr. DOUGHTON. That is correct.

Mr. TERRY. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. TERRY. Why was it that H. R. 6466 was reported out instead of H. R. 2, on which the hearings were held?

Mr. DOUGHTON. That was done at the instance and insistence of the proponents of the measure, the author of the measure. The gentleman from Florida [Mr. HENDRICKS] said they wanted a vote on the last version of the Townsend plan, H. R. 6466, which superseded and replaced H. R. 2.

Mr. SMITH of Washington. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. SMITH of Washington. Is it not a fact that when the action of the committee was taken reporting out the bill without recommendation only two members of the committee voted against that action?

Mr. DOUGHTON. That is correct.

The SPEAKER. The time of the gentleman from North Carolina has again expired.

Mr. MAPES. Mr. Speaker, I yield myself 10 minutes. First, Mr. Speaker, if I may, I congratulate the distinguished gentleman from Georgia [Mr. Cox] and the distinguished chairman of the Committee on Ways and Means, the gentleman from North Carolina [Mr. DOUGHTON], upon the enthusiasm and heartiness with which they have supported this resolution in their opening statements. [Laughter.] Let me also emphasize the statement that the distinguished chairman of the Committee on Ways and Means made, that this is the first and only time in his experience in the House of Representatives that the Committee on Ways and Means has ever reported a piece of legislation to the House without recommendation. In that connection I call attention to the fact that the distinguished chairman of that committee has been a Member of the House of Representatives for 30 years.

In order to keep the record straight let me say at the outset, as one member of the committee, I voted against this rule in the Committee on Rules. It is a gag rule and ought to be defeated. It provides for 4 hours of talk, 4 hours of balderdash only, and then compels a vote on the bill as it is without any opportunity to amend or perfect it. I am opposed to being gagged and bound in that way. [Applause.]

I say that with no desire to avoid a vote on the bill. In fact, I welcome an opportunity to vote on it, but I refuse to take any responsibility for this procedure. This procedure, as distinguished from the legislation, makes it as easy as it is possible to do for anyone to vote against the bill. I favor legislation making adequate provision for people in their old age, but I am not in favor of this bill as presented to us here. What the Committee on Ways and Means might have worked out if it had really tried, no one knows. If it had not run out on its job it might have recommended a real constructive piece of legislation that the most of us would have been glad to support. [Applause.]

Under this rule, if adopted, the House can do nothing more than go through the motions of considering a piece of legislation which has been characterized as "one of the most far-reaching revenue measures that has ever been presented to the American people," without its ever having been seriously considered by the Committee on Ways and Means to which it was referred and without the benefit of any recommendation on it by that or any other committee of Congress. Indeed, it is more accurate to say that the rule not only compels consideration of it under those circumstances, but requires that the bill be voted up or down without any opportunity to consider it seriously even on the floor of the House. It must be voted upon as it is after 4 hours of nothing but talk without any opportunity to amend or perfect it. What a travesty on legislative procedure. Others may be a party to such procedure if they choose, but I am not going to be. [Applause.]

The bill before us is not H. R. 2, which the Townsend people have been writing us about. It is a new bill. It is H. R. 6466. H. R. 2 provided for a transaction tax. This bill provides for a gross-income or consumers tax. President Roosevelt, in his recent speech to the retailers here in Washington, had this to say as to such a tax:

> It would be bad for business—

He said—

> to shift any further burden to consumer taxes. The proportion of consumer taxes to the total is plenty high enough as it is. Remember, as businessmen and as retailers, that any further taxes on consumer, like a sales tax, means that the consumer can buy fewer goods at your store.

Let me ask the followers of President Roosevelt on the Democratic side of the aisle how they can support this bill in view of that position of the President.

No one knows how much anyone would get if this bill should be enacted into law. Townsendites are looking for $200 per month. Everyone concedes that they would get no more than a small fraction of that amount under this bill.

Mr. SMITH of Washington. Mr. Speaker, will the gentleman yield?

Mr. MAPES. Yes, I yield to one of the leading proponents of the Townsend bill.

Mr. SMITH of Washington. I would like to ask the distinguished gentleman from Michigan if it is not a fact that for the past 4 years, ever since April 1935, there has been no bill pending before the Congress providing for a flat payment of $200 per month? So why keep talking about something which does not exist?

Mr. MAPES. Let me reply by asking the gentleman if he does not believe that the Townsend people, if this bill passes, which I am told would provide only about $30 or $31 a month to those over 60 years of age, will make a drive on the next and the following Congresses asking for a higher tax so as to increase the amount which they will receive under this legislation?

Mr. SMITH of Washington. Does the gentleman desire me to answer that question?

Mr. MAPES. I cannot yield further now, Mr. Speaker.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I cannot yield now.

Everyone concedes that they will get no more than a small fraction of $200 under this bill.

Mr. DONDERO. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield to my colleague from Michigan.

Mr. DONDERO. I want to call the gentleman's attention to the statement made by Dr. Townsend on page 647 of the hearings, where he says this:

I am after that $200 a month, and I am going to have it, and I am going to stay after it until I overtake it.

Mr. MAPES. Certainly. I now yield to the gentleman from Tennessee.

Mr. COOPER. The fact is that repeatedly throughout the hearings, Dr. Townsend stated that it was $200 a month he was advocating; that is what he wanted, and in a short time it should be made $300 a month. [Applause.]

Mr. MAPES. And, that is what the old people of this country have been led to believe they will receive if this legislation is passed.

Mr. SMITH of Washington. Will the gentleman yield?

Mr. MAPES. I cannot yield to the gentleman further at this time.

This bill was never even considered by the Committee on Ways and Means. The draft which we are asked to vote upon was not introduced until the day before the committee washed its hands of it by reporting it without recommendation. It was available in printed form only an hour or so before the committee took the action it did. No one familiar with legislative procedure and with Congress has any expectation or hope that it will be enacted into law. It is not here for that purpose. It is here for political purposes only. Everyone knows that. The purpose is so clear that it is transparent. There ought to be some better reason for the passage or consideration of legislation so vital to the welfare of the Nation and to those whose hearts are set upon getting legislation which will provide them with reasonable security in their declining years.

The SPEAKER. The time of the gentleman from Michigan has expired.

Mr. MAPES. Mr. Speaker, I yield myself 7 additional minutes.

I have never been very good at playing the game of make-believe or fooling people, and I am not going to attempt it on this legislation.

Our Democratic colleague from New York is quoted in an interview as characterizing the action of the Committee on Ways and Means on this bill as "shysterism and trickery." That is stronger language than I am in the habit of using. In this connection, it must be remembered that the Democratic Party is in control of the Committee on Ways and Means, as it is of all other committees of the House. It determines what legislation will be considered and what will not be.

The friends and advocates of legislation to provide adequate security for old people in their declining years cannot help but be greatly disappointed over the situation with which the House is confronted. Regardless of the merits of the legislation, the procedure adopted to bring it up is a hoax pure and simple. No one can be proud of it. No one can defend it. We are asked to pass a gag rule, which will permit of no amendment, to consider legislation of vital importance which is full of loopholes, imperfections, and ambiguities and which is not recommended by the committee to which it was referred, nor any member of it, as far as the record shows.

The debate here already discloses that members of the Ways and Means Committee were invited by the chairman in executive session to make a motion to report it favorably and no one on that committee responded. No one has any idea even what its effect on the country will be, if passed. My observation has been that legislation gets nowhere in Congress unless it is first sold to a reasonable number of the members of the committee which has jurisdiction of it, and this has not been.

The advocates of the Townsend plan for years asked for a hearing. The Committee on Ways and Means early in the year was good enough to give them extensive hearings. I was glad to have the committee give them a hearing. I thought they were entitled to it. But, with the close of the hearings, the committee ceased to function, as far as this legislation is concerned. It ran out on its job. It made no attempt to perfect the legislation—no attempt to make it workable and constructive. It never considered it in executive session. Neither the House nor the country nor the Townsendites had the benefit of the study, the judgment, or the recommendation of the committee.

The Committee on Ways and Means is a great committee—the greatest in the House. The members of it are capable. Most of them have been Members of the House a long time. They are experts on tax and other questions with which the committee has to deal. The House is entitled to the collective judgment of the members of that committee before being asked to pass upon legislation coming from it of this importance.

I appreciate the longing and the hope of the elderly people of this country for constructive legislation in their behalf. I make no criticism of them. In fact, I have every sympathy for them and their ambition in that respect. I have always favored adequate pensions for those along in years who need assistance to provide them with the comforts of life, but I refuse to be a party to this hoax. I have not been and I do not intend to start to be today. [Applause.]

Mr. Speaker, I reserve the balance of my time.

The SPEAKER. The gentleman from Michigan has consumed 15 minutes.

Mr. COX. Mr. Speaker, I yield 3 minutes to the gentleman from Florida [Mr. HENDRICKS] the author of the bill.

Mr. HENDRICKS. Mr. Speaker, I rise to support this so-called "gag" rule for a purpose. Ordinarily I would not be in favor of "gag" rules, but the time comes when I think that they are justified. We, the proponents of this bill and the opponents of this bill, favor the "gag" rule because we are determined to vote upon an issue and not simply a scrap of paper. We know that those who may like to straddle the fence for a while longer, or those who dread to face this may offer amendments to the bill which would so butcher the bill that when we reached a final vote on it, we would not be voting on the Townsend plan; and for that reason I, with a block of supporters, have asked for a closed rule in order that when we reach a vote on this bill the Members may be able to say "yes" or "no" on the Townsend plan and not something else. I know amendments may be offered to permit certain people to go back and straddle the fence for a while longer, and be able to explain their votes.

This question of opposing "gag" rule does not surprise me in the slightest. I have been here 3 years and I have learned a good deal. I have come to the conclusion and have been convinced that there are many Members of this House who would seek any issue to save themselves from having to vote on this bill. A good many have been willing to say, patting this bill on the back: "You are a mighty fine bill, but I hope to God you will never get to the floor of the House." For that reason, although I would have preferred that the Ways and Means Committee had given us a favorable report on this bill—I asked if they could not give us a favorable report then to report it to the House without recommendation in order that we might be able to declare ourselves.

Mr. SMITH of Washington. Mr. Speaker, will the gentleman yield?

Mr. HENDRICKS. Not for the moment.

There may be some question as to where the friends of this bill stand on this closed rule and on this bill. You have heard the argument, and will again, that this is not the bill H. R. 2, that instead of being H. R. 2 it is H. R. 6466. Minor changes only have been made. Furthermore, the hearings on H. R. 2 are available to every Member of the House. I dare to say that if the opponents of this rule were asked if they had read the testimony on H. R. 2 that practically every one of them would have to say, "No; I have not." Had this bill been before the House for 6 months

and hearings been held on it, those same Members would not have read the hearings on this bill.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. HENDRICKS. I yield gladly.

Mr. COX. Is the House to understand from what the gentleman has stated that he and his associates, the advocates of the adoption of this proposal, join with him in asking for the adoption of the rule, and that the gentleman and his associates, the advocates of the measure, will vote for the previous question?

Mr. HENDRICKS. I am sure that is true, I may say to the gentleman from Georgia. I have not questioned every one of them. We would have preferred more time, but we have agreed to this.

Mr. COX. I have understood that that was also the request of the founder of the movement.

Mr. HENDRICKS. I shall be glad to clear that up by reading a couple of letters written by Dr. Townsend, one addressed to myself and one addressed to the chairman of the Committee on Rules.

Under date of May 15, 1939, Dr. Townsend wrote me as follows:

MY DEAR REPRESENTATIVE: It is my understanding that while there has not yet been any official action taken by the Committee on Ways and Means on H. R. 2 that if we will present a new bill including the amendments which are submitted to the committee, the committee will report the bill without recommendation and the leaders will give us 4 hours in which to discuss the bill after which we will have a roll-call vote.

I do not think the time allotted to this bill is sufficient. I believe its importance justifies at least 10 hours' debate; however, in order to get a roll-call vote on our bill, which is what we desire, I feel that our supporters are justified in agreeing to the 4 hours' debate.

I trust that every Member of Congress will give this measure his most careful and sympathetic consideration as a constructive contribution to the national recovery we all desire.

Under date of May 24 last Dr. Townsend addressed a letter to the chairman of the Committee on Rules, from which I read the following:

Congressman HENDRICKS has called my attention to the fact that the Committee on Ways and Means reported H. R. 6466 to the House of Representatives without a recommendation. It is my understanding that the chairman of the committee was also instructed to ask for a rule on this bill. Congressman HENDRICKS called my attention to the fact that all concerned were desirous of knowing whether this bill, H. R. 6466, had my approval.

While we all realize that this bill is not a perfect bill, we believe it to be the best that we can get at this time, and we are therefore asking the Rules Committee give us a rule in order that this bill may be discussed in the House of Representatives and a record vote taken on this bill as the Townsend issue at this time.

Mr. Speaker, Dr. Townsend asked me further to convey this message to friends of this bill in the House of Representatives:

Friends have advised me that in all probability there will be certain dilatory tactics used to damage our bill. I understand that there will be an attempt to vote down the previous question on the rule and also a motion to recommit the bill.

Will you kindly assure our friends that either move will be considered an attempt to scuttle our bill, and ask them to cooperate with you in voting against these tactics.

Mr. Speaker, I believe I am justified in saying that any vote to vote down the previous question on this rule or any vote to recommit this bill will be considered a vote against the Townsend bill. [Applause.]

[Here the gavel fell.]

Mr. MAPES. Mr. Speaker, I yield 3 minutes to the gentleman from Kansas [Mr. REES].

Mr. REES of Kansas. Mr. Speaker, I realize that in appearing before you for such a short time that very little can be accomplished, but I do appeal in this brief time on behalf of the elderly people of this country, whom I think are going to be misled by reason of the action of the House this afternoon.

I agree with the gentleman from Michigan [Mr. MAPES], who left the floor a moment ago, that the manner in which the Ways and Means Committee has reported this bill to the House—a measure involving one of the most important questions that has come on the floor for consideration—is unprecedented. Here we are, faced with this most important measure, involving the livelihood of thousands of people, only to find that the Ways and Means Committee, under the leadership of the great majority party, saying to us: "We will just run out on you. We will not even take charge of the bill during its consideration this afternoon."

Mr. BUCK. Mr. Speaker, will the gentleman yield?

Mr. REES of Kansas. No; I have not the time or I would be glad to.

Mr. Speaker, I am in favor of a fair and adequate system of providing for the maintenance of these elderly people. The manner in which we have handled the question of social security is a shame and a disgrace. I am in favor of giving this question the fair consideration to which it is entitled at the hands of the Ways and Means Committee, and which it should receive at the hands of the membership of this House. And now the powerful Rules Committee, evidently at the request of the Ways and Means Committee, has said to the Congress: "We will give you 4 hours during which to consider, without amendments, this measure, and then you must vote for or against it." It seems to me that we are at least entitled to a chance to vote on this important question fair and square on its merits. If the bill should not be amended, let it stand. But if there are places in it that should be properly improved and changed, we should have a right to do it.

For instance, under the terms of this bill, chambers of commerce and national banks are exempt from its terms. But State banks, doing business across the street, will have to be taxed. There are other points in the bill that could easily be remedied so that we would have a reasonably fair working measure.

We have always claimed that the House of Representatives was a deliberative body and one where the membership had a right to express its views, but the Rules Committee has invoked an ironclad "gag" rule that says, by inference at least, that we will not even be given a chance to debate the bill pro and con and shall not offer even the slightest amendment. We were told just a moment ago by those who have some information on this bill that it may provide between $15 to $30 per month to those who will be affected thereby. We do not know how much it will produce. In fact no one on the floor seems to have that information. This is not H. R. 2. It is a different bill. Hearings were held on H. R. 2, but no hearings were held on this bill. It was introduced one day and the next day the Ways and Means Committee handed it over to the membership of the House. It seems they wanted to get rid of it. Whether this is a Townsend bill or not should not make any difference. The question is whether or not it is good legislation. Will it provide the revenues for the people of this country who really need it? Our present social-security law has been a great disappointment to the needy people of our country. Let us enact legislation that will provide adequate means of support for older people as well as for those who, by reason of misfortune over which they have no control, are unable to provide a fair and reasonable living for themselves.

Let us give this legislation the fair and decent consideration to which it is entitled. Let us not forget that this is the only old-age pension bill which has been submitted on the floor of Congress during the 5 months we have been in Congress. I am told by those who have been in Congress for many years that a bill that comes to the floor of the House without recommendation rarely if ever passes Congress. It seems to me that this is a left-hand way of defeating a measure which, if it could be properly debated and reasonably amended, could become a workable piece of legislation. In any event, whether the measure is good or bad, it just is not the way to handle it. The question involved, that of old-age assistance, is too big and too important to be handled in such a trivial manner.

[Here the gavel fell.]

Mr. COX. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee [Mr. PEARSON].

Mr. PEARSON. Mr. Speaker, in addressing myself to this resolution, I want to call the attention of the chairman of the Committee on Rules to what in my mind is a very

essential amendment to the pending rule. The first line of the rule states:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole for the consideration of H. R. 6466, a bill to provide for and promote the general welfare—

And so forth. Mr. Speaker, I believe that the rule is a declaration of what this bill does, with which some might not agree. I believe the word "entitled" should be inserted in the rule after the figures "6466" to quote the title of the bill rather than declare in the rule that it is a bill which will provide for and promote the general welfare of the United States. I hope the chairman will accept such an amendment so to perfect the language used in the resolution.

[Here the gavel fell.]

Mr. COX. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. MARTIN J. KENNEDY].

Mr. MARTIN J. KENNEDY. Mr. Speaker, ladies and gentlemen, today we are debating a rule which makes in order the immediate consideration of H. R. 6466, popularly known as the Townsend plan. This bill has been reported by the Committee on Ways and Means without recommendation—a most unusual procedure on the part of this powerful committee. Upon the adoption of this rule the House will begin 4 hours of debate on the bill, after which the bill as reported must be voted up or down without privilege of offering a single amendment.

I regret that the Ways and Means Committee, which is supposed to consist of stout-hearted men and who should be prepared to fight to protect the financial security of our country as well as to serve as the right arm of the President in maintaining the national credit, has seen fit to report this fantastic bill to the House. In my opinion, the adoption of the Townsend plan would wreck and destroy the Social Security Act, which has taken years to develop.

As a Member who has always voted for progressive, liberal, and humane legislation, I am going to vote against this bill because I am in favor of meeting present-day requirements by extending the benefits provided by the Social Security Act.

No one could have a more sincere interest in the welfare and security of our aged and helpless citizens and dependent children than our President. At the present moment there is pending a series of amendments to further liberalize the Social Security Act which have been suggested by Mr. Roosevelt. As you know, these amendments have my wholehearted support, and I propose to work for their adoption.

May I suggest as a most complete answer to the proponents of the Townsend plan that they read the message of the President to the Congress under date of January 16, 1939, containing his views on the liberalization of the existing Social Security Act.

Mr. Speaker, the following is the message of the President, and I, for one, intend to accept his recommendations. I shall not desert the President to enlist with Dr. Townsend.

To the Congress of the United States:

Four years ago I sent to the newly convened Congress a message transmitting a report of the Committee on Economic Security. In that message I urged that Congress consider the enactment into law of the program of protection for our people outlined in that report. The Congress acted upon that recommendation and today we have the Social Security Act in effect throughout the length and breadth of our country.

This act has amply proved its essential soundness.

More than two and one-half million needy old people, needy blind persons, and dependent children are now receiving systematic and humane assistance to the extent of a half billion dollars a year.

Three and a half million unemployed persons have received out-of-work benefits amounting to $400,000,000 during the last year.

A Federal old-age insurance system, the largest undertaking of its kind ever attempted, has been organized and under it there have been set up individual accounts covering 42,500,000 persons who may be likened to the policyholders of a private insurance company.

In addition there are the splendid accomplishments in the field of public health, vocational rehabilitation, maternal and child welfare, and related services, made possible by the Social Security Act.

We have a right to be proud of the progress we have made in the short time the Social Security Act has been in operation. However, we would be derelict in our responsibility if we did not take advantage of the experience we have accumulated to strengthen and extend its provisions. I submit for your consideration a report of the Social Security Board, which, at my direction and in accordance with the congressional mandate contained in the Social Security Act itself, has been assembling data, and developing ways and means of improving the operation of the Social Security Act.

I particularly call attention to the desirability of affording greater old-age security. The report suggests a twofold approach which I believe to be sound. One way is to begin the payment of monthly old-age insurance benefits sooner, and to liberalize the benefits to be paid in the early years. The other way is to make proportionately larger Federal grants-in-aid to those States with limited fiscal capacities, so that they may provide more adequate assistance to those in need. This result can and should be accomplished in such a way as to involve little, if any, additional cost to the Federal Government. Such a method embodies a principle that may well be applied to other Federal grants-in-aid.

I also call attention to the desirability of affording greater protection to dependent children. Here again the report suggests a twofold approach which I believe to be sound. One way is to extend our Federal old-age insurance system so as to provide regular monthly benefits not only to the aged but also to the dependent children of workers dying before reaching retirement age. The other way is to liberalize the Federal grants-in-aid to the States to help finance assistance to dependent children.

As regards both the Federal old-age insurance system and the Federal-State unemployment compensation system, equity and sound social policy require that the benefits be extended to all of our people as rapidly as administrative experience and public understanding permit. Such an extension is particularly important in the case of the Federal old-age insurance system. Even without amendment, the old-age insurance benefits payable in the early years are very liberal in comparison with the taxes paid. This is necessarily so in order that these benefits may accomplish their purpose of forestalling dependency. But this very fact creates the necessity of extending this protection to as large a proportion as possible of our employed population in order to avoid unfair discrimination.

Much of the success of the Social Security Act is due to the fact that all of the programs contained in this act—with one necessary exception—are administered by the States themselves, but coordinated and partially financed by the Federal Government. This method has given us flexible administration and has enabled us to put these programs into operation quickly. However, in some States incompetent and politically dominated personnel has been distinctly harmful. Therefore, I recommend that the States be required, as a condition for the receipt of Federal funds, to establish and maintain a merit system for the selection of personnel. Such a requirement would represent a protection to the States and citizens thereof rather than an encroachment by the Federal Government, since it would automatically promote efficiency and eliminate the necessity for minute Federal scrutiny of State operations.

I cannot too strongly urge the wisdom of building upon the principles contained in the present Social Security Act in affording greater protection to our people, rather than turning to untried and demonstrably unsound panaceas. As I stated in my message 4 years ago:

It is overwhelmingly important to avoid any danger of permanently discrediting the sound and necessary policy of Federal legislation for economic security by attempting to apply it on too am-

bitious a scale before actual experience has provided guidance for the permanently safe direction of such efforts. The place of such a fundamental in our future civilization is too precious to be jeopardized now by extravagant action.

We shall make the most orderly progress if we look upon social security as a development toward a goal rather than a finished product. We shall make the most lasting progress if we recognize that social security can furnish only a base upon which each one of our citizens may build his individual security through his own individual efforts.

FRANKLIN D. ROOSEVELT.

Mr. COX. Mr. Speaker, I yield 2 minutes to the gentleman from Washington [Mr. SMITH].

Mr. SMITH of Washington. Mr. Speaker, I want to refer briefly to the colloquy which I had a moment ago with the distinguished gentleman from Michigan [Mr. MAPES] in regard to the alleged $200 per month provided in the pending legislation. I call attention to the fact that commencing on April 1, 1935, every Townsend bill that has been introduced in the House has provided for a ceiling or maximum amount "not to exceed $200 per month." I defy the gentleman from Michigan or anybody else to point to any bill since April 1, 1935, which has provided for the express, flat payment of $200 per month, which has always been and still remains the ultimate objective. Each and every one of the bills, including the pending bill, H. R. 6466, introduced by the gentleman from Florida [Mr. HENDRICKS], at the request of Dr. Townsend, provides for a tax on manufacturing, production, wholesaling, also retailing, as a tax formula, and further provides that the revenue yielded shall be prorated and the amount yielded shall be paid to the recipients of the pension. It is about time therefore that we cease talking all this bugaboo of an immediate payment of $200 per month, which is not involved in this legislation at all. The estimated payment based on the present business turn-over of the country is at the rate of from $50 to $75 per month, which Dr. Townsend and those of us who are supporting this legislation feel confident will rapidly increase commensurate with the increase in the national income which everybody admits is far short of what it could and should be. As the national income increases the business turn-over and volume of business sales and transactions will also increase and consequently cause an increase in the revenue yielded for tax and pension purposes and increase the sum available to the pensioners. Could anything be clearer? I therefore submit that it is manifestly unfair to argue that $200 per month is to be paid from the very start, which is not possible upon the present business turn-over and national income, and which the legislation does not call for.

Mr. Speaker, I am supporting this closed rule, something I have never done before, as I favor rules which leave the legislation open to amendment as a matter of the highest principle, because this is the only way we can have a vote on the Townsend plan at the present time.

I have received scores of air-mail letters urging my support of the legislation, and as a part of my remarks I insert a number of telegrams received from Townsend clubs in my district:

ABERDEEN, WASH., *May 31, 1939.*

Congressman MARTIN F. SMITH,
House of Representatives, Washington, D. C.:

We, the members of Townsend Club No. 2, Aberdeen, Wash., urge you to support H. R. 6466 or the Townsend enactment.

Respectfully,

TOWNSEND CLUB, No. 2.

VANCOUVER, WASH., *May 31, 1939.*

Hon. MARTIN F. SMITH,
Member of Congress, Washington, D. C.:

Manor Townsend Club expects your best efforts in behalf H. R. 6466.

J. I. PARKER, *Secretary.*

VANCOUVER, WASH., *May 30, 1939.*

MARTIN F. SMITH,
Congressman, Washington, D. C.:

Townsendites and friends in your district expect you to do everything possible toward passage of Townsend bill now on floor of Congress.

TOWNSEND CLUB, No. 2, VANCOUVER, WASH.

KELSO, WASH., *May 30, 1939.*

MARTIN F. SMITH,
Congressman, Washington, D. C.:

Eight hundred members of Townsend Club No. 1, of Kelso, Wash., petition you to support the Townsend plan bill now before the House of Representatives.

MELVIN HEATON, *President.*
Mrs. GRACE GORE, *Secretary.*

SATSOP, WASH., *May 30, 1939.*

Representative MARTIN F. SMITH,
Washington, D. C.:

We are anxiously awaiting the vote on the Townsend bill. We are depending on your support in every way.

SATSOP TOWNSEND CLUB.

MAYTOWN, WASH., *May 30, 1939.*

Hon. MARTIN F. SMITH,
Representative in Congress, Washington, D. C.

Regards Townsend bill, H. R. 6466. Rochester's 462 members commend you for your work. We urge you to vote for and use your influence to put it over. We are banking on you.

FRANK N. PALMER, *President.*

MORTON, WASH., *May 30, 1939.*

Congressman MARTIN F. SMITH,
Washington, D. C.:

Regarding House bill No. 6466, the Morton Townsend Club is in favor this bill. We appreciate anything you can do to further this bill.

MORTON TOWNSEND CLUB.

TENINO, WASH., *May 30, 1939.*

Congressman MARTIN F. SMITH,
Washington, D. C.:

Congratulations on the fine stand and continued interest you have taken in the Townsend plan. We are looking for results.

GERTRUDE MARTIN,
Secretary, Tenino Townsend Club.

OCEAN PARK, WASH., *May 29, 1939.*

Congressman MARTIN F. SMITH,
Washington, D. C.:

The Ocean Park (Wash.) Townsend Club No. 2 humbly asks you to vote "yes" on Townsend-plan bill.

MATT WOLFORD, *President.*
MABEL SMITH, *Secretary.*

RIDGEFIELD, WASH., *May 29, 1939.*

MARTIN F. SMITH,
House of Representatives, Washington, D. C.:

Townsend Club No. 1 of Ridgefield depending upon you for support of Townsend bill May 31.

J. W. BORDER, *President.*

LACENTER, WASH., *May 31, 1939.*

Representative MARTIN F. SMITH,
Washington, D. C.:

Resolution passed at regular meeting Townsend Club 33 members, Fargher Lake, Clark County, requesting your support H. R. 2.

L. I. NICHOLS, *President,*
Mrs. ALICE PICHROB, *Secretary,*
Yacolt, Wash.

Mr. MAPES. Mr. Speaker, I yield the balance of my time to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Speaker, this is the biggest tax bill ever brought into the Congress or any other legislative body in the world, either in war or peace; yet we are asked to consider it under a "gag" rule. The gentleman from Florida [Mr. HENDRICKS], who is sponsoring this measure, introduced on May 10 and sent to the Rules Committee House Resolution 189, asking for an open rule. What has caused him to change? I assume that he received some definite promises that he could get a bill out under a "gag" rule, but in no other way.

Mr. HENDRICKS. Will the gentleman yield?

Mr. FISH. I yield to the gentleman.

Mr. HENDRICKS. I will answer the question promptly. We had amendments we wanted in the bill. We could not get them in H. R. 2; therefore we had to have an open rule to amend the bill in exactly the form we wanted. That is the reason I introduced that resolution.

Mr. FISH. Mr. Speaker, Dr. Townsend in his letter just read, to Chairman SABATH of the Rules Committee, says:

While we all realize this is not a perfect bill—

Even in spite of this admission by Dr. Townsend, we are supposed to consider it under a "gag" rule which permits no

amendments to perfect it and to enable us to pass a constructive and feasible pension bill.

This "gag" rule forced out of the committee is an abomination of desolation and an evil and outrageous procedure. The Democratic leaders of the House are responsible for bringing up the Townsend pension plan for the aged under this drastic "gag" rule, which, if adopted by the House, permits no consideration of the proposal on its merits.

Apparently the purpose of the rule is to insure the defeat of the Townsend bill.

The Democratic members of the Rules Committee were ordered by the House leadership to report this "red-hot potato" under a "gag" rule which, by prohibiting any amendments, gives a virtual kiss of death to the proposal.

I have served in the House for almost 20 years, but I have never seen a more brazen attempt to kiss a bill to death by means of a "gag" rule. It amounts to a contemptible political hoax on 8,000,000 American aged who hoped to benefit by its passage.

I am proud to state that neither Mr. MAPES nor myself was a party to trying to bamboozle the Townsendites by voting for this iniquitous "gag" rule. By this unholy device the Townsend bill, without any real hearing before any committee or opportunity to amend and perfect it on the floor, is brought up to be slaughtered and make a Roman holiday for the Democratic leaders.

The New Deal high command, not satisfied with having arrested and caused to be sentenced to prison Dr. Townsend, an honest and upright American citizen, and a sincere champion of old-age pensions, now insists on giving the coup de grace to Dr. Townsend's plan by adding insult to injury.

There has been no study or report made on this bill. The Members are expected to be mere rubber stamps and subservient to the leadership of the House and to the President. We are offered only the right to accept or reject the pending measure, but not to amend it. In my opinion, to prevent the House from amending such far-reaching and important legislation is an act of supreme folly and political chicanery.

If this practice is continued, and the Rules Committee at the lash of the party whip employs this kind of ingenuity to gag Members of the House, they will soon destroy the usefulness of the House of Representatives as a deliberative and representative body. Hitler, Mussolini, and Stalin have all said that self-government has failed in America, and that democracy is on its way out. Why not give the House a chance to demonstrate that it is capable of legislating? Why not restore representative government in the House and to the people who are our constituents? This New Deal "gag" rule is a form of dictatorship foreign to American ideals of government that makes mere puppets out of the Members of the House of Representatives. The other body would not stand for it under any circumstances, and as a member of the Rules Committee I am ashamed and humiliated at such a stultifying procedure. I am opposed to "gag" rules whether under the New Deal or Republican control.

I appeal to all Republicans and fair-minded Democrats to vote down this vicious "gag" rule and let the Members of the House offer amendments to this bill that has never been considered on its merits in any committee of the House. If the House is given an opportunity, we can write and pass a pension bill that will provide real pensions for our aged and destitute instead of deceiving them by fictitious political promises. The "gag" rule insures the defeat of years of effort by a million or more active and sincere supporters of the Townsend plan.

I deplore this humiliating spectacle of forcing such an important bill, without the benefit of a hearing, upon the Congress. It is a reflection on, and a disservice to, our free institutions and representative form of government. It makes our parliamentary system a mockery and a farce and a laughingstock for dictatorial governments. It is undemocratic and un-American practices like this that undermine popular government. We Republicans should not compromise with or be a party to such a vicious rule and abominable procedure. We Members of the House have, regardless of party affiliations, the power and the duty to vote the "gag" rule down and to serve notice on the Democratic leaders that the House refuses to make a football out of human misery.

I have been in sympathy with and a supporter of old-age pensions for many years, and introduced one of the first old-age pension measures. On May 27, 1928, just 10 years ago, I introduced a resolution in the Congress providing for the appointment by the Speaker of a committee of five Members of the House to study old-age pensions and report back its findings. I said at the time:

> The purpose of my resolution is to obtain the facts upon which to consider sound, economical, and constructive legislation in order to provide some form of security for our aged and worthy poor in the evening of their lives. The sound common sense and fairness of the American people will demand the enactment of a modern system of old-age pensions as soon as the actual facts are made public. Old-age pension laws are bound to be adopted throughout the United States in the next 10 years, because they are just, and the main question to be settled will be whether they should be State or Federal enactments or a combination of both.
>
> The smug and complacent man of means sometimes fails to appreciate that the wage earner is apt to be thrown out on the industrial scrap heap after he reaches his fiftieth birthday, whereas in business and in the professions or in politics men often do their best work between 50 and 60, where maturity of judgment and ripened experience are a distinct advantage. The time has come for the Federal Government to carefully examine into the feasibility and the desirability of affording financial relief to the aged poor. The United States in the last quarter of a century has become a great industrial nation. It should cease playing the ostrich act and confront or at least attempt to solve the serious problem of old-age dependency.
>
> Our present method of dealing with the aged, such as incarceration in almshouses, is antiquated, inefficient, expensive, and demoralizing. The problem of the aged cannot be ignored or postponed much longer. A constructive modern social policy must be worked out after a careful study of all the facts strictly on the basis of merit for the best interests of the American people.

I want my constituents to know my views on old-age pensions, and just what I advocate. I am in favor of a maximum old-age pension of $60 a month, to be paid to every American over 60 years of age who is out of work and worth less than $20,000. The Federal Government to pay $30 and the States to contribute $30. The Federal Government is to pay each person who qualifies $15 a month, regardless of the payment of the State's contribution. If the State pays $15, then the Federal Government will match it dollar for dollar up to a maximum of $60 a month.

The advantage of my proposal is that the aged and poor will receive $15 per month from the Federal Government, regardless of the action of the States. In other words, instead of promises and talk they would be assured of financial benefits every month. I would favor a 1-percent manufacturers sales tax to pay for these old-age pension benefits, and would make them payable this year and not at some indefinite time in the future.

If the previous question is ordered and the "gag" rule prevails, and the motion to recommit is defeated, I hope every Republican will feel free to vote his own views on the final passage of this legislation without criticism from any source. This is not a party issue. This issue of old-age pensions will not be settled until it is settled right for the benefit of all the aged citizens of our country. [Applause.]

Mr. WHITE of Idaho. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Idaho.

Mr. WHITE of Idaho. Is the gentleman in favor of the bill?

Mr. FISH. I am not in favor of it under a "gag" rule, or of any bill under a "gag" rule.

Mr. WHITE of Idaho. Is the gentleman in favor of the principle of this legislation?

Mr. FISH. I am in favor of old-age pension legislation.

Mr. WHITE of Idaho. The gentleman wants a dollar-matching proposition between the States and the Federal Government?

Mr. FISH. I just told the gentleman what I favored in the way of old-age pensions.

Mr. O'TOOLE. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from New York.

Mr. O'TOOLE. Will the gentleman please inform the House whether or not he is in favor of the Townsend plan?

Mr. FISH. I am not in favor of either the taxing provision or of the $200 payment in the Townsend plan, but I believe that Congress should provide more substantial old-age pensions immediately by a 1-percent manufacturers' sales tax. I believe it is wrong to bring this bill up under a "gag" rule so that we cannot amend it and do something constructive and beneficial for the aged people in this country instead of sacrificing them on the altar of New Deal politics. [Applause.]

[Here the gavel fell.]

Mr. COX. Mr. Speaker, I am not going to quarrel with my friend the gentleman from New York over the political speech he has just made. The test of his sincerity will come on the vote on the bill. Certainly I would not quarrel with my long-time and devoted friend the gentleman from Michigan [Mr. MAPES], also one of my colleagues on the Committee on Rules. I am not even going to quarrel with him because of his criticism, mild though it may have been, of the Committee on Ways and Means for having reported the Townsend bill without recommendation, and of his own committee, that on Rules, for having reported a rule for its consideration. I would remind the gentleman, however, and the House, that the 10 Republican members of the Committee on Ways and Means—and there are 10 Republican members on that committee—joined with the majority members on the committee in reporting this bill and in reporting it without recommendation. Those 10 Republican members of that committee joined with their colleagues in requesting a rule. They requested a closed rule, the rule that is now before the House. The ranking minority member of that committee appeared before the Committee on Rules, together with the chairman of the committee, endorsed every statement that was made by the chairman, and upon his own responsibility as the representative of his committee and of his party asked for the rule now pending.

Mr. Speaker, I have heretofore stated that the Committee on Rules felt some hesitation in reporting a closed rule. The committee is disinclined to ask the House to consider any bill under a closed rule. However, the committee is nothing but the creature of the House. The House is its master, and if the House differs with the committee on the question of judgment as to how this bill should be considered, of course, the House can vote down the previous question.

There has been some criticism of the Committee on Ways and Means, which has had this bill under consideration for a long while, for having reported the bill without recommendation and for not having accompanied the measure with a somewhat extended report in which was set forth the arguments for and against the proposal, some of the most pertinent parts of the evidence, and the opinion of the committee on its soundness. There are those who feel that the committee owed this to the House. However, the committee is here today, represented by some of its most outstanding members, to perform that duty, and these members will, if the rule is adopted, make the report of the committee during the debate on the bill. This represents their judgment as to how the question should be dealt with, and of it I make no censure.

I am sure the Members of the House appreciate and understand that the Committee on Ways and Means has had up the question of the revision of our social-security law for a good long while, and that it is certain that at an early date the committee will report a revised and liberalized social-security bill—one which will probably provide a larger sum for the aged people of this country than can possibly be produced under the revised Townsend bill.

Frankly, Mr. Speaker, speaking for myself, I occupy somewhat the same position as the members of the Committee on Ways and Means. I have never been able to see that the Government could survive under the original Townsend bill. I know the present bill has been greatly modified and made less rigorous in its effect upon the country. However, I have not as yet been able to bring myself to the conclusion that it is sound legislation and would work. I am certain that to make it stand up in the courts that a constitutional amendment would be necessary. I would not be opposed to submitting such an amendment. Yet, Mr. Speaker, the Committee on Ways and Means felt that since this is a measure that has claimed the attention of people all over this country, and that although it was unable to give the bill committee endorsement there was, because of the widespread interest, justification for the action it took; that is, reporting the bill without recommendation. The committee was unwilling, because of its inability to approve the bill, to deny its advocates a forum in which they might be heard. If the rule is adopted, Members will have opportunity to record their views.

Mr. Speaker, I move the previous question on the resolution.

Mr. PEARSON. Mr. Speaker, I desire to submit a parliamentary inquiry prior to the vote on ordering the previous question.

The SPEAKER. The gentleman will state his parliamentary inquiry.

Mr. PEARSON. I should like to inquire, Mr. Speaker, whether, under the present parliamentary situation, this resolution is open to amendment?

The SPEAKER. It is not.

The question is on ordering the previous question on the resolution.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 217, noes 63.

Mr. TABER. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were refused.

So the previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The question was taken; and on a division (demanded by Mr. TABER) there were—ayes 221, noes 53.

Mr. MARCANTONIO. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were refused.

So the resolution was agreed to.

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 6466) to provide for and promote the general welfare of the United States by supplying to the people a more liberal distribution and increase of purchasing power, retiring certain citizens from gainful employment, improving and stabilizing gainful employment for other citizens, stimulating agricultural and industrial production and general business, and alleviating the hazards and insecurity of old age and unemployment; to provide a method whereby citizens shall contribute to the purchase of and receive a retirement annuity; to provide for the raising of the necessary revenue to operate a continuing plan therefor; to provide for the appropriation and expenditure of such revenue; to provide for the proper administration of this act; to provide penalties for violation of the act; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 6466, with Mr. SMITH of Virginia in the chair.

The Clerk read the title of the bill.

The Clerk read the bill, as follows:

Be it enacted, etc.,

SHORT TITLE

SECTION 1. This act shall be known and may be cited as the General Welfare Act.

DEFINITIONS

SEC. 2. The following words, terms, and phrases when used in this act have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

(a) The terms "transaction" or "business transaction" as used in this title shall include all activities (personal, professional, or corporate) engaged in or caused to be engaged in with the object of gain or economic benefit, either direct or indirect.

(b) "Property" means real and/or personal property and includes stocks, bonds, and choses in action, and includes also any right, interest, equity, easement, appurtenance, or privilege and commercial value in such property or related thereto.

(c) The term "person" or "company" shall include every individual, partnership, society, unincorporated association, joint adventure, group, joint-stock company, corporation, trustee, executor, administrator, trust estate, decedent's estate, trust, or other entity, whether doing business for themselves or in a fiduciary capacity, and whether the individuals are residents or nonresidents of the United States and whether the corporation or other association is created or organized under the laws of the United States or of another jurisdiction.

(d) "Gainful pursuit" means any occupation, profession, business, calling, or vocation, or any combination thereof, performed for monetary or other commercially valuable consideration, remuneration, or profit whether occasionally or continuously performed, and whether performed for one's self or some other person, firm, association, or corporations, except ordinary household or domestic duties.

(e) "Annuity" and/or "annuities" means the various sums and/or amounts of money distributed and paid pro rata and otherwise to the various persons who shall become and be entitled to monthly payments after qualifying under section 5 of this act.

(f) The term "sale" includes the exchange of properties as well as the sale thereof for money.

(g) "Governmental agency" means a government body or officer, whether Federal, State, District, or local, and/or any public agency or institution and/or public instrumentality through which public business is transacted.

(h) The "Secretary of the Treasury" or "Secretary" means the Secretary of the Treasury of the United States of America.

(i) "United States," when used in a geographical sense, means and includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(j) The term "sales value" shall correspond as nearly as possible to the gross proceeds of sale of similar products, of like quality and character, by other persons, where no common interest exists between the buyer and seller but the circumstances and conditions are otherwise similar. Where delivery of any products is made to other affiliated companies or persons, or under other circumstances where the relation between the person delivering the products and the receiver of such products is such that the sales value is not indicative of the true sales value of the products delivered, the taxpayer shall pay the tax imposed by this title on the products so delivered, upon the aforementioned basis of sales values. If no such comparable sales exist between nonaffiliated buyers and sellers, the Secretary of the Treasury or his duly appointed deputy shall prescribe equitable and uniform rules for ascertaining such sales value.

(k) The term "gross proceeds of sale" means the sales value, cash or accrued, actually proceeding from the sale of tangible property without any deductions on account of the costs of property sold or expenses of any kind. The words "gross revenue" and "gross proceeds of sales" shall not be construed to include the proceeds of sale of goods, wares, or merchandise returned by customers when the sale price is refunded either in cash or by credit; or the sale price of any article accepted as part payment on any new article sold if the full sale price of any new article is included in the "gross revenue" or "gross proceeds of sales"; and accounts found to be worthless and actually charged off for income-tax purposes may at corresponding periods be deducted from gross proceeds of sales or gross revenues earned after this title becomes effective, but shall be added to gross proceeds of sale or gross revenue when and if afterward collected.

(l) The term "gross revenue" means the gross receipts, cash or accrued, of the taxpayer received as compensation for personal services and the gross receipts of the taxpayer derived from trade, business, commerce, or sales and the sales value proceeding or accruing from the sale of tangible property, or service, or both, and all receipts, actual or accrued, according to the manner in which the books of account of the taxpayer are kept, by reason of the investment of the capital of the business engaged in, including interest, dividends, discount, rentals, royalties, fees, or any other emoluments however designated and without any deductions on account of the cost of property sold, the cost of materials used, labor cost, taxes, royalties, interest or discount paid, or any other expenses whatsoever: *Provided,* That every taxpayer shall be presumed to be dealing on a cash basis unless he proves to the satisfaction of the Secretary of the Treasury or his duly appointed agent that he is dealing on an accrual basis and his books are so kept.

Throughout the act the present tense includes the past and future tenses; and the future, the present. The masculine gender includes the feminine and neuter. The singular number includes the plural and the plural the singular. "Shall" means "must" and is mandatory. "May" is permissive.

All terms used in the act shall receive a liberal construction with a view toward effectuating the objects of the act and promoting justice.

SEC. 3. (a) Imposition of taxes; rates: (1) There is hereby levied and shall be assessed and collected privilege taxes against the persons on account of their business and other activities within the United States measured by the application of rates against values, gross proceeds of sales, or transactions measured by gross revenues, as the case may be, as follows:

(b) Tax on producers: Upon every person engaging or continuing within the United States in the business of selling any tangible personal property whatsoever as a producer, there is hereby levied, and shall be assessed and collected, a tax equivalent to one-half of 1 percent of the gross proceeds of sales or gross revenue of such business.

(c) Tax on manufacturers: (1) Upon every person engaging or continuing within the United States in the business of manufacturing, compounding, canning, preserving, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or substances, commodity or commodities, the amount of such tax to be equal to the value of the articles, substances, or commodities manufactured, compounded, canned, preserved, packed, milled, processed, refined, or prepared, for sale, as shown by the gross proceeds or gross revenue derived from the sale thereof by the manufacturer or person compounding or preparing the same, multiplied by a rate of one-half of 1 percent.

(2) The measure of the tax on manufacturers is the value of the entire product manufactured, compounded, canned, preserved, packed, milled, processed, refined, or prepared, in the United States, for sale, profit, or commercial use, regardless of the place of sale or the fact that deliveries may be made to points outside the United States.

(3) If any person liable for the tax on manufacturers shall ship or transport his products, or any part thereof, out of the United States without making sale of such products, the value of the products in the condition or form in which they existed immediately before entering foreign commerce shall be the basis for the assessment of the tax imposed in this section. Such value shall be arrived at by deducting all expenses incurred after shipment into foreign commerce from the ultimate selling price thereof and such tax shall be due and payable as of the date of such entry into foreign commerce, whether said products have been sold or not.

(4) In computing the tax levied on manufacturers where the gross proceeds of sales of such manufactured products are taken as the measure of the sales value of such products for the purpose of computing the tax, if such products shall have been sold on a delivered price, the actual transportation charges prepaid by the taxpayer or included in the invoice price on such manufactured products, to the place of delivery shall be deducted from the gross proceeds of sales used in determining the amount of the tax.

(d) Tax on wholesalers or jobbers: (1) Upon every person engaging or continuing within the United States in the business of selling any tangible property whatsoever, there is likewise hereby levied, and shall be assessed and collected, a tax equivalent to one-half of 1 percent of the gross proceeds of sales or gross revenue of the business; (2) *Provided, however,* That any person engaging or continuing in business as a retailer and a producer or as a retailer and a manufacturer or as a retailer and wholesaler or jobber shall pay the tax required on the gross proceeds of sales or gross revenue of each such business at the rates specified, when his books are kept so as to show separately the gross proceeds of sales or gross revenue of each business; and when his books are not so kept he shall pay the tax as a retailer.

(e) Tax on other business: Upon every person engaging or continuing within the United States in any business, trade, occupation, or calling not included in the preceding subsections or any other provisions of this act, there is likewise hereby levied and shall be assessed and collected, a tax equal to 2 percent of the sales value, gross proceeds of sales, or gross revenue thereof. This subsection shall also apply to the gross proceeds of sales or gross revenue of persons taxable under other subsections hereof not derived from the exercise of privileges taxable thereunder.

(f) Every return of excises, taxes, or duties, together with the payment of excises, taxes, or duties, as required by this act, shall be made to the collector of internal revenue of the United States, or to such other person as may be designated by the Secretary of the Treasury in administrative rules and regulations issued under this act, for the district from which such return is made, as of the end of each calendar month during which such excises, taxes, or duties become fixed and chargeable. The return is mandatory, must be sworn to, and shall be delivered and the excises, taxes, or duties paid to said collector of internal revenue or other person not later than 10 days after the expiration of the calendar month for which such return is made. The Secretary shall provide the forms for returns herein required.

(g) No return need be made and no excise, tax, or duty need be paid if the total amount due for any one calendar month is less than $1.

(h) The Secretary of the Treasury shall enforce the payment of the excises, taxes, or duties required by this act to be paid, and shall promptly deposit in the United States Treasury, in the fund hereinafter designated, all moneys received by him through or from the collection of such excises, taxes, or duties.

A SEPARATE FUND

SEC. 4. There is hereby created in the Treasury Department of the United States a fund to be known and administered as the general welfare fund. All revenue derived from the excises, taxes, or duties levied in and under this act shall be deposited in said fund, and shall be disbursed only for the payment of the sums expressly authorized by this act to be paid therefrom, and for no other purpose.

SEC. 5. (a) The term "producer" shall mean and include any person engaged in the business of raising and producing agricultural, animal, or poultry products in their natural state, or in producing natural resource products, or engaged in the business of fishing, who sells agricultural, animal, or poultry products in their natural state, or the natural resource products, or the

fish, for resale or to be incorporated and remain in finished manufactured products, or in the finished work required under a construction contract.

(b) "Manufacturer" shall mean and include any person engaging or continuing within the United States in the business of manufacturing, compounding, canning, preserving, packing, milling, processing, refining, or preparing for sale, profit, or commercial use, either directly or through the activity of others, in whole or in part, any article or articles, substance or substances, commodity or commodities.

(c) "Wholesaler" or "jobber" shall apply only to a person doing a regularly organized wholesale or jobbing business known to the trade as such, and only with respect to the following sales: (1) Sales to a licensed retail merchant or jobber, for purposes of resale; (2) sales, to a licensed manufacturer, of material or commodities which are to be incorporated by such manufacturer into a finished or salable product (including the container or package in which the product is contained) during the course of its preservation, manufacture, or processing, including preparation for market, and which will remain in such finished or salable product in such form as to be perceptible to the senses, which finished or salable product is to be sold and not otherwise used by such manufacturer; or (3) sales, to a licensed contractor, of material or commodities which are to be incorporated by such contractor into the finished work or project required by the contract and which will remain in such finished work or project in such form as to be perceptible to the senses.

EXEMPTIONS

SEC. 6. The provisions of this title shall not apply to—

(a) The following persons: (1) National banks; (2) fraternal benefit societies, orders, or associations, operating under the lodge system, or for the exclusive benefit of the members of the fraternity itself, operating under the lodge system, and providing for the payment of death, sick, accident, or other benefits to the members of such societies, orders, or associations, and to their dependents; (3) corporations, association, or societies organized and operated exclusively for religious, charitable, scientific, or educational purposes; (4) business leagues, chambers of commerce, boards of trade, civic leagues, and other similar organizations operated exclusively for the benefit of the community and for the promotion of social welfare, and from which no profit inures to the benefit of any private stockholder or individual; (5) hospitals, infirmaries, and sanatoria, from which no profit inures to the benefit of any private stockholder or individual; (6) cooperative associations, insofar as the gross revenue derived from their nonprofit activities is concerned; (7) building and loan associations, with respect only to interest received by them from loans to members: *Provided, however,* That exemptions (2) to (7), both inclusive, shall apply only to the gross proceeds of sales or gross revenue received from nonprofit activities.

(b) The following gross revenue or gross proceeds of sales: (1) Amounts received under life-insurance policies and contracts paid by reason of death of the insured; (2) amounts received (other than amounts paid by reason of death of the insured) under life insurance, endowment, or annuity contracts, either during the term or at maturity, or upon surrender of the contract; (3) amounts received by any person under any accident-insurance or health-insurance policy or contract or under workmen's compensation acts or employers' liability acts, as compensation for personal injuries, death, or sickness, including also the amount of any damages or other compensation received, whether as a result of action or by private agreement between the parties on account of such personal injuries, death, or sickness; (4) amounts received by any person as compensatory damages for any tort injury to him, or his character or reputation, or received by any person as compensatory damages for any tort injury or to destruction of property, whether as the result of action or by private agreement between the parties; except amounts received by any person as punitive damages for tort injury or breach-of-contract injury; (5) amounts collected as Federal, State, or Territorial taxes upon the sales of gasoline at the time of such sale to the consumer; (6) amounts received by any person as a benefit payment so-called or like payments by virtue of acts passed by the Congress of the United States relating thereto and disbursed to others as such benefit payment; but the Secretary of the Treasury may by regulation require any such deductions to be set forth specifically by the taxpayer in his returns; (7) amounts received as alimony and other similar payments and settlements; (8) amounts collected as Federal taxes when shown as a separate item upon the face of the ticket sold for purposes of amusement.

ONLY UNITED STATES CITIZENS ARE ELIGIBLE; OTHER REQUIREMENTS

SEC. 7. (a) Every person in the United States 60 years of age and over, or who shall attain the age of 60 years after the passage of this act, who has been a full citizen of the United States for at least 5 years, shall be entitled to receive, upon filing application and qualifying as hereinafter provided, as annuity payable monthly during the life of the annuitant, in a sum to be determined as hereinafter provided in this act.

(b) The right of any person to receive an annuity under this act shall date from and begin on the 1st day of the calendar month following the approval by the Secretary of the Treasury of his application therefor, if approved by the 20th of any month (otherwise the 1st day of the following month), when and if such application is supported by his affidavit as to his age and citizenship for 5 years and by proper public or private record proof or a detailed corroborating sworn statement, as to his age and such citizenship, and has attached to it a photograph of passport size and a fingerprint record of the applicant for identification purposes, but subject to the limitations upon time and manner of payment as hereinafter provided by this act.

(c) The annuitant shall not engage in any gainful pursuit and the annuitant shall covenant and agree, in his sworn application for the annuity, to expend, and shall spend all of each month's annuity during the calendar month for which it is received by the annuitant, or within 5 days thereafter, within the United States or its Territorial possessions, or en route between the States and such Territorial possessions, with preference given, as far as possible, for the purchase of any services (except gambling) rendered, to his best knowledge and belief, by citizens of the United States, and/or commodities manufactured, to his best knowledge and belief in the United States, and/or a home or an equity in or rental of or a lease of a home or other living quarters, or the support of a dependent spouse, dependent former spouse, or dependent child, or for the payment of any indebtedness lawfully arising for any such purpose, the payment of premiums on a life or endowment insurance policy taken out over a year before the effective date of this act or on a life-insurance policy of not exceeding $1,000 on his own life taken out after the effective date of this act, or the payment of a bona fide indebtedness incurred before such annuitant received any money under this act.

(d) No annuity shall be paid to any person who is forcibly confined in any penal or other institution and no person shall be entitled to any annuity while so confined, or until a new application is approved for him after his release. Annuity checks issued to any such person shall be returned uncashed with an explanation to the Secretary of the Treasury at Washington for cancelation, and those in charge of such institutions and the Post Office Department shall cooperate to see that this is done. The Post Office Department shall also cooperate to see that checks issued to deceased annuitants are likewise returned to the Secretary for cancelation, as the death of the annuitant terminates the annuity.

(e) No assignment of or order on an annuity under this act is valid.

(f) Any annuitant may at any time terminate his right to receive annuities under this act by a sworn notice to this effect filed with the Post Office Department for forwarding to the Secretary of the Treasury. At the time he files same, satisfactory proof must be produced that he is the annuitant in question. Upon receipt of such notice of termination, the Secretary shall eliminate such person as an annuitant in making future distributions. Such termination shall not, however, affect the right of such person to again apply for annuities under this act.

(g) Any annuitant may likewise waive his right to a portion of the annuity upon filing a like sworn notice and satisfactory proof that he is the annuitant in question, and any applicant for annuities may apply for a lesser amount than the $200 per month maximum. In such cases the Secretary shall, after the pro rata or full monthly annuity figure is arrived at on the 20th of any month, deduct any such amounts that may have been waived, or not applied for, from the amounts to be sent to such annuitants. Such waiver or failure to apply for the full amount shall not affect the right of any person to file a new application at any time for the full amount to which he would otherwise be entitled.

ADMINISTRATION PROVISIONS

SEC. 8. (a) The Secretary of the Treasury shall have general supervision of the distribution of the annuities under this act and shall cause to be paid by checks mailed out by him from Washington at regular monthly intervals, to each person who lawfully qualifies to receive annuities under this act, such amounts as shall become due the respective annuitants lawfully qualifying under this act.

(b) Forms for the use of applicants for the annuities provided for in this act shall be made available to such applicants by the Secretary through the Post Office Department within 30 days after this act takes effect. All applications for annuities and all returns required by this act from annuitants shall be filed with the local post-office department. Returns must be sworn to by the annuitant, on forms provided by the Secretary, and must be filed within 10 days after the expiration of the calendar month for which he receives his annuity. Postmasters and their assistants are hereby given the power to administer oaths on applications for annuities and/or returns from annuitants under this act. They shall make no charge for verifications on applications for annuities, but shall charge 25 cents for each verification of a return for an annuitant, which 25 cents shall become a part of the revenue of the Post Office Department. The applications and returns shall be checked by the local postmaster with whom they are filed, and then forwarded by him to the Secretary at Washington, unless for any reason he sees fit to turn over a return to the United States attorney in the district for appropriate action. The local postmaster shall be entitled to call upon the office of the United States attorney in his district for legal advice and assistance in handling the registration of applicants and checking the returns filed.

(c) Any person contemplating the filing of an application for an annuity and/or any annuitant may call upon the office of the United States attorney, in any district in which he may be, for assistance in filling out forms and/or advice as to his rights under this act. Any such person may also petition the United States district court, in any district in which he may be, for a ruling as to

his rights under this act, which petition may be informal but must be in writing and sworn to by the petitioner. It may be filed with the clerk of such court upon the payment of a $1 filing fee and there shall be no other court costs of any nature in connection with the hearing and determination of such petition. There shall be no charge by the clerk of the court for verification of such petition before him. No notary public shall charge more than 25 cents for verification of any petition for filing with a court, under this act, application for an annuity under this act or a return required by this act. A copy of any petition to a court for a ruling on the petitioner's rights under this act must be served on the United States attorney's office, in the district in which it is filed, at least 5 days before the hearing thereon, and the petitioner shall be entitled to be represented by counsel if he so desires or may handle the matter himself. The hearing shall be informal and the strict rules of evidence shall not be rigidly adhered to. There shall be a right of appeal by either party, but appeals shall be handled in the regular formal way and be subject to the usual court costs. The exclusive jurisdiction to hear and determine all issues arising under this act shall be in the Federal courts.

APPORTIONMENT AND DISTRIBUTION OF FUNDS

SEC. 9. From and out of the proceeds of such excises, taxes, or duties collected and accumulated under the provisions of this act, appropriation is hereby made, and disposition and disbursement shall be made in the following manner and order, to wit:

(a) All proper and necessary expenses of administering this act shall first be paid or provided for, and upon a monthly basis whenever practicable.

(b) All other money available in any month or period, from or out of revenues received under this act, as hereinafter referred to, shall be distributed and paid monthly, pro rata, except as hereinafter provided, to all qualified annuitants who are of record and whose applications for annuities have been checked and approved by the Secretary of the Treasury at Washington at the end of the twentieth day after the last day of the calendar-month period for which the said revenue collections and/or residue are accumulated for distribution, in such amount not exceeding $200 per month as may properly be paid from funds accumulated for that period, and in the following manner, to wit:

First. The total amount available for distribution shall be divided by the total number of annuitants entitled to share therein, and, except for cases where deduction is to be made as hereinafter referred to, the result shall be the pro rata annuity amount.

Second. The proper deductions provided for in section 13 of this act as penalties or forfeitures and other deductions provided for herein shall then be made from the pro rata so determined.

Third. The amount so determined to be due each of the annuities shall then be paid in manner and by method as herein provided.

(c) The total amount of the deductions made as provided in section 13 of this act, any amounts collected after the 20th of any month for a previous month, any amounts waived or not applied for as provided in section 5 (i) of the act, and any amounts returned under section 5 (f) thereof shall be carried over, as an undistributed residue, into the next following month and be merged into and become a part of the fund available for that month for distribution to qualified annuitants as provided for in this act.

(d) All funds accumulated under this act for the period extending from the time the excises, taxes, or duties provided for in this act become payable and to the end of the first full calendar month thereafter, and hereby designated as the "first period," shall be promptly disbursed as soon after the 20th day of the fifth full calendar month after this act takes effect as practicable and not later than the last day of said calendar month. Disbursement shall be made to such annuitants as are of record with and whose applications for annuities have been checked and approved by the Secretary of the Treasury at Washington at the end of the 20th day after the last day of such "first period," out of the funds then available for distribution out of collections for the said "first period," as hereinbefore provided in section 7, subdivision (b), of this act. The checks to the annuitants shall indicate that, as to them, this annuity is for the following calendar month.

(e) Thereafter all accumulations for the calendar month next in order are to be disbursed as soon as practicable after the 20th day of the calendar month following which the previous disbursement was made, and not later than the last day of said month, to those annuitants who are of record with and whose applications for annuities have been checked and approved by the Secretary of the Treasury at Washington at the end of the 20th day following the end of the calendar month for which collections are made, out of funds then available for distribution out of collections for such calendar month and accumulations for the previous month. The checks to the annuitants shall indicate that, as to them, the annuities are for the following calendar month in each case.

(f) Any surplus in any calendar month over and above the amount necessary to take care of the above items shall be used by the Secretary of the Treasury in liquidation of the national debt until same is cleared, after which it shall go into the general fund.

RULES AND REGULATIONS

SEC. 10. All administrative details not specifically otherwise provided for in this act shall be governed by rules and regulations issued and promulgated by the Secretary of the Treasury.

APPROPRIATIONS

SEC. 11. There is hereby authorized to be appropriated, and the Secretary of the Treasury is hereby authorized and directed to pay from the money or moneys available in said general welfare fund, the money necessary to cover the expenses of administration of this act and the monthly annuities to the qualified annuitants, in the amounts as elsewhere provided in this act, and then to pay any surplus in liquidation of the national debt, and any balance into the general fund, but in any event not to exceed at any time the amount on deposit in said general welfare fund; and there is hereby authorized to be appropriated from the general fund of the United States, out of money not otherwise appropriated, such sum or sums as may be necessary to establish and maintain this act, subject to reimbursement out of the funds collected hereunder, pursuant to the provisions of this act.

ANNUITIES NOT SUBJECT TO GARNISHMENT, ETC.

SEC. 12. Any annuity granted under this act, and the money proceeds thereof due or in the hands of the annuitant, shall be wholly exempt from attachment, garnishment, execution, levy, and/or any other judicial process.

DISQUALIFICATION

SEC. 13. No annuity shall be paid under this act to any person who is not at the time of payment domiciled within the United States or its Territorial possessions, or en route between the States and such Territorial possessions.

DELAY IN PAYMENT: REMEDY

SEC. 14. If in any case the payment of an annuity to any person is delayed to an extent which causes an accumulation of 2 months or more of annuities, then in that event the expenditures by the annuitant for the amount of any such accumulation shall be made upon the basis of 1 additional month for every month of such accumulation.

CERTAIN OFFENSES A MISDEMEANOR; PENALTY

SEC. 15. It shall be a misdemeanor for any annuitant—

(a) To engage in any way, or upon occasion, in any gainful pursuit, as in this act defined;

(b) To keep or fail to expend, any annuity, or any part thereof, or the proceeds of direct or indirect accumulations, or any part thereof of any annuity, within the time required by this act; or to expend, directly or indirectly by resort to any subterfuge whatever, any annuity, or any part thereof, or the proceeds or direct or indirect accumulations, or any part thereof, of any annuity, in any manner except as in this act provided;

(c) To unreasonably and unnecessarily maintain any able-bodied person in idleness, or any person in drunkenness or gambling and/or to unreasonably and unnecessarily employ any person or to pay any person any salary or wages or any other form of compensation entirely and clearly in disproportion to the service rendered;

(d) To willfully fail or refuse to pay any just obligation incurred for purchases, leases, rentals, and/or services under this act or to willfully fail or refuse to pay 10 percent of any month's annuity on just obligations incurred before such annuitant received any money under this act; and

(e) To willfully fail or refuse to obey any rule or regulation issued by the Secretary of the Treasury under this act.

Prosecution for such misdemeanor shall be brought by the United States attorney in the United States district court in the district in which the offense occurred, and upon conviction the annuitant shall forfeit each month for the remainder of his life one-fourth of the annuity to which he would otherwise be entitled, but shall suffer no other penalty no matter on how many counts on which he was convicted. Upon a subsequent conviction for such a misdemeanor occurring thereafter he shall forfeit each month an additional one-fourth of the annuity to which he would have been entitled had he never violated the law, for a third conviction another one-fourth, and for a fourth conviction shall forfeit entirely his right to any annuity under the terms of this act.

CERTAIN OFFENSES A FELONY; PENALTY

SEC. 16. It shall be a felony, and punishable as such, for any individual or copartner, or the president, secretary, treasurer, and/or general manager of any firm, association, or corporation required by this act to make any return for the payment of any excise, tax, or duty, and/or to pay same, or for any applicant for an annuity, or for any annuitant, to willfully fail to make any required return, or to make any false statement in any application or return, or to knowingly withhold therefrom any fact material to the proper administration of this act, or to willfully fail to pay any excise, tax, or duty provided for in this act within the time required by this act, with intent to defraud the United States Government, directly or indirectly, by resort to any subterfuge whatsoever, under a penalty, upon conviction, of a fine of not more than $1,000 or imprisonment for not more than 1 year, or both, for a first offense, and a fine of not less than $2,000 or more than $20,000, or imprisonment for not less than 1 year or more than 5 years, or both, for each subsequent conviction.

In addition to and entirely separate and apart from any criminal penalty hereunder, there shall be a civil liability to the United States Government for the amount of any unpaid excise, tax, or duty, plus interest thereon at 7 percent from the due date, and a civil penalty of twice the amount of the excise, tax, or duty for any failure to pay same on the due date, such liability to be enforced by the United States attorney for the district in question, upon the request of the Secretary of the Treasury. The collector of internal revenue in each district, or such other persons as the Secretary may designate to collect the excise, tax, or

duty in such district, is hereby given the right to file a lien upon any real or personal property of any person or legal entity who fails to pay any excise, tax, or duty within the time allowed by this act, for the amount thereof, plus accrued penalties and interest, which lien shall become effective from the date it is filed with the county recorder in the county in which such property is situated and shall be a prior lien to all other liens except encumbrances of record when it is filed. There shall be no charge for filing such lien and it may be enforced by appropriate action in the United States district court for the said district and the said property sold to satisfy the said lien.

CONSTRUCTION OF THIS ACT

SEC. 17. If any provisions of this act, or the application thereof to any person or circumstance, is held invalid, the remainder of the act, or the application of such provision to other persons or circumstances, shall not be affected thereby. If any section, sentence, clause, or part of this act is for any reason held to be unconstitutional, such decision shall not affect, impair, or invalidate the remaining portions of this act, but shall be confined in its operation to the section, sentence, clause, or part thereof directly involved in the controversy in which such judgment have been rendered. The Congress hereby declares that it would have passed this act, and each section, sentence, clause, or part thereof, irrespective of the fact that one or more sections, sentences, clauses, or parts be declared unconstitutional.

ALL CONFLICTING LAWS REPEALED

SEC. 18. All Federal acts or parts of acts in conflict with any of the terms of this act are hereby expressly repealed to the extent of such conflict, and any person who accepts an annuity under this act thereby forfeits his right to unemployment insurance, and/or other benefit to which he might be entitled under any other Federal Social Security Act to the extent of the amount he receives under the terms of this act.

SEC. 19. Titles I, II, and VIII of the Social Security Act are hereby repealed.

EFFECTIVE DATE OF THIS ACT

SEC. 20. Except as otherwise herein specifically provided, this act shall take effect upon its enactment.

Mr. COLE of New York (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with.

Mr. BOEHNE. I object, Mr. Chairman.

The Clerk resumed the reading of the bill.

Mr. BURDICK (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with.

Mr. BOEHNE. I object, Mr. Chairman.

The Clerk resumed and concluded the reading of the bill.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Florida [Mr. HENDRICKS].

Mr. ELLIOTT. Mr. Chairman, I make the point of order there is not a quorum present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twenty-three Members present, a quorum.

Mr. HENDRICKS. Mr. Chairman, when I ran for Congress the first time I promised my constituents that if I were elected I would exert every effort within my power to bring the Townsend plan to the floor of the House of Representatives and that if I were successful in doing this, I would support and vote for it. I am delighted that when the day is ended I will have kept the faith with them and fulfilled my pledges.

I shall try, in the brief time which I have, to explain this plan as simply as possible. I shall not yield until I have finished my main statement, after which I shall be glad to answer any questions as far as possible.

FIRST. PENSIONS

This bill, contrary to what many think, does not provide for the amount of pensions to be paid to anyone. It simply provides for the levying of a tax, ranging from one-half of 1 percent on certain transactions up to 2 percent on others, which as far as we are able to estimate, will pay those eligible and who would make application for the pension, between $50 and $75 to begin with, but would, if the bill accomplishes what it is designed for, increase the amount materially as time goes on. So much for the pension provision at the present time.

SECOND. TAX FEATURES

There seems to have generated in the Congress and about the country a great deal of opposition to the tax proposed in this bill. It is claimed by the opponents that the tax would stifle business and one would think at times that no such tax has ever been imposed or proposed, when, in fact, we have a similar tax in a limited way now imposed in the State of Indiana, and I understand it is working successfully. We have a still better example of the tax in Hawaii, and it has been so successful in the island that the Government finds itself in splendid financial condition, and they are contemplating reducing the tax in many instances. Results indicate that business is prospering in Hawaii instead of being stifled.

Now, as to whether this tax is a new proposal, as many seem to think it is, let me say that it is no such thing. I find that such a proposal was placed before the Congress 18 years ago. The then Republican President, Warren G. Harding, in an address to a joint session of Congress, urged a prompt and thoroughgoing revision of the revenue laws—and for what purpose? For the purpose of relieving business of burdensome taxes. For the same purpose that the Ways and Means Committee is now holding hearings for a revision. You do not need to take my word for what I am about to say, for the records of the hearings are still available for your examination. The Senate Committee on Finance, on May 9, 1921, began hearings in accordance with President Harding's request. In the record of these hearings you will find that many organizations and individuals appeared and proposed a tax similar in its application to the tax we are proposing in this bill. In the records you will find that the following, not liberal but conservative organizations and individuals, appeared and testified in favor of a turn-over tax ranging from 1 to 3 percent:

The Trades Council of the Manufacturers' Club of Philadelphia.

The legislative committee of the National Association of Real Estate Boards.

The tax committee of the National Association of Manufacturers.

The chairman of the taxation committee of the Boston Chamber of Commerce.

The Business Science Club of Philadelphia.

Roger W. Babson, president of the Babson Statistical Organizations.

The National Conference of State Manufacturers Association.

The public committee on taxes of the United States Chamber of Commerce.

There were others. So, my friends, you can see that our proposal is not entirely without example and precedent.

THIRD. RECOVERY FEATURE

Now this plan is not simply a taxation and pension plan. It is essentially a national-recovery plan or it is nothing. I shall say to you, as I said to the Ways and Means Committee in testifying on this bill, that if it were merely a pension plan I would not support it, and I say that for this reason. I do not believe that we can afford to tax the American people for even four to six billion dollars which we estimate would be collected and place this in the hands of any small group of people without some definite assurances that it would be placed back into trade channels for the purpose of stimulating recovery and be of benefit to the entire American people.

In order that we may be assured that it will be of benefit to the Nation instead of to one class alone, we have placed in the bill a provision that an applicant for this pension must retire from gainful employment—and must covenant and agree to spend the annuity within the calendar month for which it is allocated.

The provision for enforced retirement from gainful employment would affect the general public, because the lowest figures on unemployment show 13,000,000 out of work. Figures which I have obtained convince me that there would be about 4,000,000 old people eligible for the pension who would retire from gainful employment, thus giving their jobs to that many of the unemployed. No one can doubt the benefit of such a result. This will still leave about eight or nine million unemployed.

Now, in regard to the enforced spending clause which has been so roundly condemned by the opponents, I should think it would be slightly embarrassing for any Member of this Congress or for anyone who has been a Member of Congress since 1932 to condemn this clause—for as a result of the collective action of the Congress we have been preaching and practicing spending to stimulate recovery, and I do not believe that the country today is taking the position that spending has not had good results. I think the quarrel is that we have not paid our way as we have spent and that we may be running into inflation, bankruptcy, and repudiation of national debts.

This bill proposes to continue spending to bring back prosperity. It proposes to place the money raised from this tax into the hands of about 8,000,000 old people who are now in need, with the understanding that they spend it each month, thereby creating a new purchasing power and placing in circulation a steady flow of money which we believe would stimulate national recovery. It differs from the present plan of spending for recovery in that it would pay its way as it goes.

At the time of our recent severe depression Mr. Marriner S. Eccles, commenting on the situation, stated that the upturn in business which we had had up to that time may be owing to the fact that the soldiers had been spending their over $2,000,000,000 bonus; and now that that was gone it may be the cause for the recession.

It is our hope that with the spending of this money and the resulting new purchasing power, that with the factory wheels turning, and industry humming that the remaining millions of unemployed can get jobs and the Government be relieved of this problem.

I hope we can all remember the simple provisions of this bill. It simply provides for the levying of a tax on transactions ranging from one-half of 1 percent to 2 percent, the proceeds of which shall be divided pro rata among those in the country above the age of 60, providing they retire from gainful employment and agree to spend the money.

In conclusion let me say that any Member may question my judgment, but I hope they will not question my sincerity. Recently a friend of mine said that since I had been in Congress he had not caught me off base but once. Upon inquiry as to the occasion he said, "On the Townsend plan." I appreciate the very friendly manner in which he told me we disagreed on this matter. But I have attended many ball games in my life and I am reminded that in every instance in my observation when a man was caught off base, he was caught attempting to score. I may be off base in this instance, and if so I will be caught in an effort to score. [Applause.]

Now, Mr. Chairman, I am sure there are going to be many serious questions asked about this bill, and those I shall be pleased to answer in the best manner possible, but I have no intention of wasting anybody's time by answering any facetious questions.

Mr. JENKINS of Ohio. I would like to ask the gentleman two questions, neither of which will be facetious.

In the first place, the gentleman stated that he would be against this bill if it were simply a pension bill.

Mr. HENDRICKS. Correct.

Mr. JENKINS of Ohio. I understand the gentleman means by that if this bill were a pension bill on the basis of need; in other words, what we call an ordinary pension bill for old people in need, he would be against it?

Mr. HENDRICKS. I would not be against such a provision, but here is what I mean, if the gentleman will permit me to explain—and I may say that I explained that in my statement, as the gentleman would understand if he had been listening. We cannot afford to tax the American people from four to six billion dollars, which we propose in this bill shall be done, and give that to any one class without providing that they put it back into trade channels in order that it may benefit the entire Nation. I am not against pensions, and do not try to get me to say that.

Mr. JENKINS of Ohio. The gentleman did make the positive statement.

Mr. HENDRICKS. With an explanation.

Mr. JENKINS of Ohio. That he would be against this bill if it was only a pension bill.

Mr. HENDRICKS. Yes.

Mr. JENKINS of Ohio. The gentleman still stands by that?

Mr. HENDRICKS. Yes.

Mr. JENKINS of Ohio. What does the gentleman believe about this, when he says he does not favor taxing the people for a special group? What does he do in this bill in section 4? Does the gentleman think in his own heart that this bill is constitutional?

Mr. HENDRICKS. I did not say I was against taxing for a special group. Sometimes that has to be done. What is section 4?

Mr. JENKINS of Ohio. Reading section 4, it says:

> There is hereby created in the Treasury Department of the United States a fund to be known and administered as a general welfare fund.

Mr. HENDRICKS. I do not think any one knows whether that will be constitutional until it is brought before the Supreme Court.

Mr. JENKINS of Ohio. That section provides what the gentleman is opposed to, namely, that a levy be made for a certain group of people.

Mr. HENDRICKS. Oh, we are on two different points. I simply mean that if we are going to collect that large tax, it must be for the benefit of the entire Nation.

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

Mr. HENDRICKS. Yes.

Mr. MARCANTONIO. I call the gentleman's attention to page 9 and the language contained in section (e)—tax on other business:

> Upon every person engaging or continuing within the United States in any business, trade, occupation, or calling not included in the preceding subsections or any other provision of this act—

And so forth. Is not the gentleman of the opinion that that necessarily includes a tax on wages?

Mr. HENDRICKS. This bill does not include a tax on wages.

Mr. MARCANTONIO. Will the gentleman explain to the members of the committee just what the language means, where it refers to—

> any business, trade, occupation, or calling—

And so forth?

Mr. HENDRICKS. This bill provides for a tax on professional services. You may call it wages if you want to—in other words, for personal services, which the proponents believe is for such services as attorneys, owners of garages, filling stations, and so forth.

Mr. ALLEN of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. HENDRICKS. Yes.

Mr. ALLEN of Pennsylvania. The gentleman says that it does not levy a tax on wages. I read from the bill:

> Upon every person engaging or continuing in the United States in any business, trade, occupation, etc.

Mr. HENDRICKS. That is for personal services, not for wages.

Mr. ALLEN of Pennsylvania. But the gross revenue for these services would necessarily be interpreted as wages.

Mr. HENDRICKS. The gentleman may put that interpretation upon it, but we define personal services in the back of the bill and he will find that we have no intention of taxing wages, but only personal services, professional services, like the services of a lawyer, or like persons running garages and filling stations.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield?

Mr. HENDRICKS. Yes.

Mr. MARTIN of Colorado. Mr. Chairman, I am afraid the gentleman is in error about this bill not taxing wages. The first Townsend bill exempted all personal services, the second Townsend bill taxed all personal services, the third and fourth Townsend bills exempted all personal services, and this bill

taxes all personal services, and it has always been understood that personal services included labor.

Mr. HENDRICKS. Unless they are defined otherwise. I ask the gentleman to read the definition of personal services in the bill.

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

Mr. HENDRICKS. Yes.

Mr. HOFFMAN. Is it not true that Dr. Townsend testified that the success of his plan depended upon a pension of $200 a month?

Mr. HENDRICKS. The gentleman will have to read the record to see what he said.

Mr. HOFFMAN. But I recall what he said and I am asking the gentleman if that is not true?

Mr. HENDRICKS. The gentleman will have to read the record. I did not hear Dr. Townsend. When I finished my testimony I had to go to Florida.

Mr. HOFFMAN. He did so testify. He testified the reason they were fixing it at $200 a month was because you had to have $2,400 or $2,500 annually to make it work. Now he has abandoned the $200 a month, has he not?

Mr. HENDRICKS. No, sir.

Mr. HOFFMAN. He said the plan could not be successful unless it was $200 a month.

Mr. HENDRICKS. I told the gentleman I did not know what Dr. Townsend said. He speaks for himself.

Mr. HOFFMAN. Suppose he did? If he has abandoned the $200 a month, he cannot possibly have been correct in his first statement.

Mr. HENDRICKS. The gentleman would have to talk to Dr. Townsend about that. I am sure Dr. Townsend will make his position clear. I have never heard him decline to do so yet.

Mr. O'BRIEN. Mr. Chairman, will the gentleman yield?

Mr. HENDRICKS. Yes.

Mr. O'BRIEN. On page 10, section 4, we find the language:

> There is hereby created in the Treasury Department of the United States a fund to be known and administered as a general-welfare fund.

Is that money to be earmarked in the Treasury to be used specifically so that these people will be the recipients of that money, or is the money to go into the Treasury precisely as in the social security?

Mr. HENDRICKS. It is put in there for the purposes set forth in this bill.

Mr. O'BRIEN. To be spent in reckless abandonment, such as the social-security money is spent?

Mr. HENDRICKS. It is to be spent for these old people.

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

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. BUCK. Will the gentleman yield?

Mr. HENDRICKS. I yield.

Mr. BUCK. Mr. Chairman, I think the gentleman desires to be accurate. I will say to the Committee the gentleman has always been fair in appearances before the Ways and Means Committee.

I invite the gentleman's attention to page 5, line 12:

> The term "gross revenue" means the gross receipts, cash or accrued, of the taxpayer received as compensation for personal services.

Mr. HENDRICKS. Yes.

Mr. BUCK. I invite the gentleman's attention also to page 2, line 9:

> The terms "transaction" or "business transaction" as used in this title shall include all activities (personal, professional, or corporate) engaged in or caused to be engaged in with the object of gain or economic benefit, either direct or indirect.

Reading those two together, it seems to me the gentleman from Florida is mistaken when he says it does not cover wages which are paid for economic benefit and gain.

Mr. HENDRICKS. In the beginning, in drawing these bills, we did cover wages, but we placed the interpretation on "personal services" as the services of men who operate garages, filling stations, a lawyer, or that class of person, and not wages. We have no intention of including wage earners.

Mr. BUCK. But the bill does not say so. I am only reading the bill as it stands and giving it the interpretation it deserves.

Mr. HENDRICKS. The gentleman and I disagree on what "personal service" means.

Mr. SMITH of Washington. Is it not a fact that the maximum amount provided in the bill is $200 a month?

Mr. HENDRICKS. Yes.

[Here the gavel fell.]

Mr. SMITH of Washington. And the gentleman's estimate is that it will yield $50 or $75 a month——

Mr. HENDRICKS. I would be glad to answer every question if the opposition will yield me some of their time, but I do not have any further time.

Mr. DOUGHTON. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman and members of the Committee, the bill under consideration—H. R. 6466—would enact into law the Dr. Townsend scheme for business recovery and pensions to aged people. It is proposed by the Townsendites to consummate their utopian program by the imposition of a new tax.

This bill will not only impose a new tax but the heaviest tax ever levied in the history of this or any other country. The primary purpose of this tax, as expressed by the proponents of the measure, is not to pay pensions to aged people but to promote recovery—business recovery and permanent prosperity. In other words, the first purpose is not to pay pensions to aged people but is to bring about the enrichment of all people.

It will impose not only a tax—the heaviest in all history—but it would impose a tax without any reference or regard whatever to ability to pay, and pretending, I say, to promote business recovery. It is also claimed that this bill, if enacted into law, would abolish poverty, would banish the poorhouse, eliminate courts and jails. In other words, it would in effect bring the millenium. These are some of the modest claims of Dr. Townsend.

Since 1933, when the first petition was filed with Congress to pay pensions of $200 a month to aged people, the money to be raised by a transaction tax, the Townsend plan has undergone many changes, mutations, and about faces. But there is one respect in which it has undergone no change, and that is constantly dangling in the faces of old people and drumming in their ears $200 a month pension. That has been indelibly written into the minds of the aged people. Two hundred dollars a month is to be paid, regardless of need, regardless of income, or regardless of wealth. The objective of $200 a month is to be paid, regardless of need. It is to go to the rich and poor alike. Millionaire and pauper receive the same consideration and the same benefit under the provisions of this bill.

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

Mr. DOUGHTON. I regret that I do not have the time.

The only requirement being that persons must have arrived at the age of 60 years and they must have ceased work.

Funds to finance this program are to be obtained by levying a transaction or gross-income tax of 2 percent upon individuals, corporations, firms, partnerships, and other entities on each and every transaction, with few exceptions, except that producers, manufacturers, and wholesalers only pay one-half of 1 percent. It has been reliably estimated that the 2-percent tax would apply to 70 percent of the transactions in dollars and the one-half of 1 percent would only apply to 30 percent of transactions in dollars.

Moreover, my friends, both taxes would apply on every article over and over again, because it is a multiple tax. It multiplies itself with every transaction. This pyramiding adds enormously to the iniquitous effects of the tax. No tax that I can conceive of is so unequal, so unjust, so unsound, so fanatical, so intolerable, and so inequitable. Talk about

making people tax conscious. My friends, this will tax people until they are unconscious. [Laughter.] We must not lose sight of the fact that this multiple sales pay-roll tax is a superimposed tax, imposed upon all other taxes.

We must not lose sight of the fact that this multiple sales and pay-roll tax is to be superimposed upon our present tax structure, or is in addition to all other taxes levied by the Federal Government, States, counties, and local taxing units. At least, it will have the effect of doubling our Federal-tax burden, and if sufficient funds are obtained from the tax, to pay the $200 per month, and which Dr. Townsend testified was only a "starter," it will more than double the tax collections now made by all government units. Dr. Townsend even says that $300 per month is the ultimate goal. He also suggests that ultimately the national debt may be paid off out of this tax. It would impose an average tax burden upon each man, woman, and child in the United States, in addition to all other taxes now paid, of $185 per year, or more than one-third of our present per capita income of $547.

This tax would give an enormous advantage to large producers who distribute directly to the consumer, as the total tax payable with respect to any commodity varies with the number of hands through which it passes. Also to chain stores who buy direct from the manufacturers, or produce their own goods. Middlemen, in many cases, will be eliminated. Small jobbers and small merchants will be wiped out, thus fostering monopoly, as independent small businesses will be crushed and unable to compete with producers who have sufficient capital to develop retail outlets. Even Dr. Townsend admits this and states that they ought to be wiped out.

As to the actual consequences of such a plan, were it placed into operation, I desire to refer you to the testimony of outstanding economists, businessmen, farm and labor organizations, and those who are qualified to judge as to the economic effect of the Townsend program. Among the large array of witnesses brought forward by the Townsend organization during the course of the hearings, there did not appear a single economist or recognized tax expert to support their plan. Among those appearing voluntarily before the committee and taking the position that the bill was unsound, impractical, unworkable, and dangerous were the following: Dr. Slichter, of Havard University; Dr. Frank Graham, of Princeton University; Dr. Frederic Dewhurst, of the Twentieth Century Fund; Prof. Paul Haensel, of Northwestern University; Dr. Albert Hart, of Chicago; Prof. Paul Studenski, of New York University; Dr. Harold G. Moulton, president of the Brookings Institution; Dr. Francis Tyson, of the University of Pittsburgh; and John T. Flynn and David Cushman Coyle, both economists and nationally known writers.

Representatives of business included Gerard Swope, president of General Electric; Marion B. Folsom, of Eastman Kodak Co.; also, Matthew Woll, vice president of the American Federation of Labor; made it clear than labor did not favor the Townsend bill or the principle underlying it.

As to its effect upon agriculture, Dr. John Lee Coulter, probably the most outstanding agricultural economist in America today, stated, in eeffct, that the adoption of the Townsend plan would be ruinous to the farmer and destructive to the entire agricultural system.

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

Mr. DOUGHTON. I regret I have not time.

I regret very much that I have not time to go into a fuller explanation of the bill, but I desire to read some letters I have received from those who oppose it.

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

Mr. DOUGHTON. I regret that I have not time, I decline to yield.

I now read a letter from Mr. William Green, president of the American Federation of Labor:

AMERICAN FEDERATION OF LABOR,
Washington, D. C., May 25, 1939.

Hon. ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee,
House Office Building, Washington, D. C.

MY DEAR CONGRESSMAN: In the federation's testimony presented on March 7, 1939, before your committee by Mr. Woll, chairman of our social-security committee, the position of the federation was clearly stated in opposition to the Townsend bills. We believe that a clear distinction must be drawn between the type of benefit which is received as a matter of right by designated beneficiaries for whom insurance programs have been established and that which is granted as relief to persons in need. The rights which have been established under the social-security laws have been primarily for persons whose economic circumstances left them prey to insecurity which the Nation wished to remove, and have been definite in respect to the funds and the amount of benefits. Although it would be a happy situation if no consideration of needs were necessary, so long as we must raise the money for whatever pensions are granted we must consider the cost. It is unreasonable to tax persons ill able to pay and give pensions to many who are already secure enough not to need assistance in their old age.

We are convinced that to pretend to offer up to a maximum of $200 a month to all old persons regardless of need as is done by H. R. 6466 is both dishonest and undesirable. It is dishonest because no such large sums could be paid to individual annuitants even with the burdensome taxes proposed. The amounts actually paid would be very much under the maximum and would fluctuate from month to month so that no real security would be achieved for those who really need it while others would receive sums entirely unnecessary in their economy.

It is undesirable because it taxes wages and gross incomes with practically no regard for ability to pay and because it offers tremendous incentive to integration of producing and marketing units at the expense of small independent business. The independent retailer, the consumer and the wage earner will be the losers under this program. A gross income tax of a flat percent cannot be other than regressive in effect. It is a thoroughly bad form of taxation.

The incomes of most wage-earning families are too small to justify this 2-percent income tax designed to furnish pensions for old persons regardless of need. The wage earners spend now nearly every cent of their wages. No increase in national purchasing power can be achieved by taking money from them to give to another part of the population.

The American Federation of Labor believes in enlarged social security for the Nation but achieved by reasonable methods. It condemns H. R. 2 and even more H. R. 6466 as wholly unreasonable devices and as unable to fulfill the implied extravagant promise of large pensions on the basis of which they make their appeal.

Very truly yours,
WILLIAM GREEN,
President, American Federation of Labor.

Hon. ROBERT L. DOUGHTON,
House Office Building, Washington, D. C.

That is what Mr. Green has to say.

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

Mr. DOUGHTON. No; I am sorry, I have not time.

Mr. Edward A. O'Neal, president of the American Farm Bureau Federation, who is supposed to know the needs of the farmers and the effect this legislation would have on the farmer, has this to say:

AMERICAN FARM BUREAU FEDERATION,
Chicago, Ill., May 29, 1939.

Hon. ROBERT L. DOUGHTON,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN DOUGHTON: I enclose herewith a detailed analysis of the Townsend old-age pension plan and a statement regarding the effect that such a pension system would have upon the national economy. I earnestly hope that you will give careful consideration to this statement, which I believe proves conclusively that it would be fiscal suicide for this Nation to undertake to pay old-age pensions on the scale provided for in H. R. 6466.

Sincerely yours,
EDW. A. O'NEAL,
President.

He says it will be fiscal suicide for this Nation to undertake to pay old-age pensions on the scale provided for in H. R. 6466. That is what he says.

The bill is analyzed in a detailed statement attached to Mr. O'Neal's letter. This analysis follows:

[Department of research, American Farm Bureau Federation, Munsey Building, Washington, D. C., May 29, 1939]

SPECIAL REPORT IN RE H. R. 6466, THE TOWNSEND OLD-AGE PENSION PLAN

WHAT BILL PROVIDES

H. R. 6466, introduced by Congressman HENDRICKS, and reported to the House of Representatives by the Ways and Means Committee,

without recommendation, embodies in a somewhat modified form the so-called Townsend old-age pension plan.

It provides for a monthly pension of not to exceed $200 per month to every person in the United States 60 years of age or over who has been a citizen at least 5 years.

Each pensioner must agree to expend all of each month's annuity within the calendar month it is received or be subject to prosecution in a Federal court and upon conviction to pay a penalty equal to from one-fourth of the monthly annuity for the first conviction to forfeiture of all the annuity upon the fourth conviction.

Every person 60 years of age or over, regardless of need or financial circumstances, is entitled to the pension by filing application, and all pensioners receive the same amount, whether they are rich or poor, whether able to work or not, whether self-supporting, partially dependent, or wholly dependent.

The bill makes it a misdemeanor to save any unneeded portion of the pension or for any pensioner to engage in any gainful pursuit.

While the bill authorizes a maximum pension of $200 to each person, it seemingly is the intention of the bill to limit payments to the total amount of revenue derived from the taxes imposed by the bill. The monthly revenues from these taxes are to be distributed to pensioners pro rata. However, the language of the bill is not very clear as to whether the Government is free from any liability to make payments up to $200 per month when revenues are insufficient currently to make this possible.

METHOD OF FINANCING

In order to raise revenues to make these pension payments, the bill levies a tax of 2 percent on every business, trade, occupation, or calling (except those specifically designated at a lower rate) to be levied on the sales value, gross proceeds of sales, or gross revenue thereof. A rate of one-half of 1 percent is levied on all sales of tangible property of any kind made by any person as a producer; the same rate is also applied to all manufacturers, wholesalers, and jobbers. Retailers are taxed at 2 percent. All these taxes are levied upon the gross revenue, gross proceeds of sales, or gross receipts of the taxpayer.

The term "gross proceeds of sale" is defined as meaning "the sales value, cash or accrued, actually proceeding from the sale of tangible property without any deductions on account of the costs of property sold or expenses of any kind."

The term "gross revenue" is defined as "the gross receipts, cash or accrued, of the taxpayer received as compensation for personal services and the gross receipts of the taxpayer derived from trade, business, commerce, or sales, and the sales value proceeding or accruing from the sale of tangible property, or service, or both, and all receipts, actual or accrued, according to the manner in which the books of account of the taxpayer are kept, by reason of the investment of the capital of the business engaged in, including interest, dividends, discount, rentals, royalties, fees, or any other emoluments however designated, and without any deductions on account of the cost of property sold, the cost of materials used, labor costs, royalties, interest or discount paid, or any other expenses whatsoever * * *."

This means that every farmer, every workingman, every businessman, and every person receiving income of any kind from any source would be subject to this gross revenue tax. The only exemptions are the revenues derived from national banks, fraternal organizations, religious and educational organizations, non-profit cooperatives, building and loan associations to a certain extent, life-insurance policies, Federal tax payments, and Federal benefit payments.

PYRAMIDING OF TAX BURDEN

Every time a commodity is sold, every time it is transported commercially, every time a wage or salary payment is made, every time an income payment is received, a tax would be levied on the total gross amount of the sale, wage payment, or income payment, with no deductions for losses, expenses, or costs of any kind.

This means that the tax would be pyramided over and over again in the channels of trade and distribution, so that its total effects would be cumulative and would be manyfold to what appears on the surface.

It would be especially burdensome to agriculture. For example, in the case of wheat, a tax would be levied on the total wages of farm hands employed in producing the wheat; the farmer would pay a tax on the total sales value of the wheat sold to the local elevator; the elevator in turn would pay a tax on the total sales value of the wheat when sold to the terminal agency, and the latter in turn a tax on the total sales value of the wheat when sold to the mill. The mill processing the wheat into flour and byproduct feeds would pay a tax on the total sales value of these products—likewise, the wholesaler, then the local jobber, and then the retailer. Each time the product is sold the tax on the entire amount must be absorbed and the tax is thus compounded again and again. It should also be borne in mind that every time the commodity is handled by labor and wages are paid, a tax is paid on the full amount of such wages; also that every time the commodity is transported by rail, water, or by truck for hire, the tax is paid on the cost of transportation.

All these cumulative taxes are compounded together like compound interest. To the extent they can be passed on, the consumer will pay the bill in his loaf of bread; to the extent they cannot be passed on, such taxes would be passed back to the farmer in lower prices for wheat.

Similarly, in the case of cotton, at every step from the farm to the gin, to the cotton handler, to the cotton mill making cotton goods, to the dress manufacturer, to the wholesaler, to the jobber, to the retailer, and finally to the consumer—all along the line this tax is levied on the full accumulated value plus taxes at each point in the distribution process.

The same thing would be true of every commodity the farmer sells, the extent of pyramiding depending upon the complexity of the distribution process.

EXTENT OF TAX BURDEN

According to the United States Bureau of the Census, there were 10,110,000 American citizens 60 years of age and over in 1935, or about 8 percent of the total population.

It is estimated that by 1945 the total number of persons 60 years of age and older will be 15,710,000 and 24,980,000 by 1965. (Population estimates of Scripps Foundation for Research in Population Problems.)

To pay a pension of $200 per month to 10,000,000 persons would require an annual revenue of $24,000,000,000. In order to pay such a pension to 25,000,000 persons in 1965 would cost $60,000,000,000 annually. In establishing a pension system, it is necessary to take into account not only present costs but probable costs in the future. The above estimates show that within another 25 years, the number of persons 60 years of age and over will be more than double what it is now; and therefore the cost of such pension plan would be more than double present costs.

Various estimates indicate that the Hendricks bill as now drawn would fall far short of yielding sufficient revenue from the taxes levied in the bill to provide pensions of $200 per month for 10,000,000 persons. Dr. J. Frederic Dewhurst, economist, with the Twentieth Century Fund, which made a special study of the Townsend plan, estimated that a 2-percent transactions tax as provided in H. R. 2 (a similar bill) would yield $6,179,000,000. Congressman SHEPPARD estimated that such a tax as provided in H. R. 11 (another similar bill) would yield $7,247,000,000 (pp. 85 and 787, hearings, House Ways and Means Committee, Social Security, 1939).

Assuming that pension payments would be limited to revenues derived from such taxes, the Hendricks bill would permit pension payments of $50 to $60 per month to 10,000,000 persons, according to the foregoing estimates.

It should be clearly recognized that once such a system is established there would be constant pressure to raise pensions. The advocates of such legislation have frankly and openly stated in the hearings before the Ways and Means Committee their intention to press for $200 per month pensions and ultimately $300 per month. Dr. Townsend frankly said:

"Two hundred dollars a month will not stay very long. We will go to $300. We must, inevitably" (p. 597, hearings, vol. 1, Social Security, 1939).

Pension payments of $300 per month or $3,600 per year would cost $36,000,000,000 per year for 10,000,000 persons now and by 1965 when nearly 25,000,000 persons will be eligible, it would cost $90,000,000,000 to pay them pensions of $3,600 per year.

CONCLUSIONS

Leaving out of consideration the merits or demerits of the pension features of this plan, concerning which the American Farm Bureau Federation has adopted no definite policy as yet, this proposed measure, if enacted into law, would impose upon American agriculture and the Nation a crushing tax burden which would be intolerable and which would ultimately destroy our economic system.

The tax policies adopted by the American Farm Bureau Federation in 1933 and reaffirmed with modification from time to time since, justify the Federation in condemning and opposing vigorously this proposed tax both from the standpoint of the nature of the tax and the alarming extent of the tax burden which it would place upon American agriculture.

Since early in the 1920's the American Farm Bureau has opposed the levying of a Federal sales tax by the Federal Government and has advocated the establishment of an equitable tax structure based upon ability to pay.

This proposed bill levies the most vicious form of a Federal sales tax. It proposes to tax every farmer, every worker, every person receiving income from virtually any source and the tax is levied on the total value of every transaction, every wage or salary payment, and every income payment.

The tax is not based upon ability to pay, but in fact bears heaviest upon those least able to pay. It levies the same rate upon the poor as upon the rich. Even the unemployed must pay the tax upon his food, clothing, and shelter.

Being levied upon every transaction and service again and again as commodities move through the channels of trade it is pyramided to the greatest possible extent like compound interest, by the time it reaches the consumer.

A disproportionate share of the tax would be borne by farmers because much of this enormous tax burden on agricultural commodities as they move through distribution channels would be passed back to the farmer, because of the inability to pass on such enormous costs to the consumer.

It levies an additional tax burden of not less than six or seven billion dollars if the taxes are imposed as provided in the Hendricks bill. Such an additional burden of taxes at this time would

be ruinous not only to agriculture but to the Nation as a whole. The total expenditures of the Federal Government for the fiscal year 1940 are estimated by the Budget Bureau at $8,995,000,000, and total revenues at $5,669,000,000. The disastrous consequences of imposing another six or seven billion dollars in taxes under such conditions should be obvious. It is generally conceded that the imposition of the moderate social-security taxes in 1937 and 1938 had a depressing effect upon the progress of recovery, yet these amounted to only about one-tenth of the total tax revenue which this bill would collect.

To provide the maximum payments of $20 per month to every person 60 years of age or over would require at least $24,000,000,000 at the present time, and approximately $60,000,000,000 by 1965. To provide the payment of a $300 pension, or $3,600, which Dr. Townsend declared as the ultimate objective of this plan, would require $90,000,000,000 by 1965.

To attempt to raise any such sums by taxation would be fantastic and would destroy any government and any nation. To attempt to raise it through inflationary borrowing would destroy the monetary and economic system of any nation attempting it.

The contention of proponents of such legislation that the enforced expenditure of pension payments would cause such universal prosperity as to more than offset the effects of these enormous tax burdens, cannot be sustained.

The total number of persons eligible for such payments constitute only about 8 percent of the population. This bill transfers by taxation from six billion to a potential goal of $60,000,000,000 from 92 percent of the population under 60 years to 8 percent above that age.

It proposes to pay these pensions to all persons regardless of need, rich and poor alike, whether self-supporting, partially dependent, or wholly dependent. This means that millions of people who are unemployed or on relief, eking out a bare existence, will be taxed along with all the rest in order to make payments not only to the needy above 60 years of age, but to the wealthy. The millionaire and the pauper share alike in this fantastic tax orgy.

A pension of $200 per month, or $2,400 per year, means an income of $400 per month, or $4,800 per year for a married couple 60 years of age. According to a study by the Brookings Institution, 6,000,000 families (2 or more persons) in the United States, had incomes less than $1,000; 12,000,000 families, or 42 percent of all families in the United States, had incomes less than $1,500; nearly 20,000,000 families, or 71 percent, had incomes less than $2,500; and over 2,000,000 families, or 92 percent of all families, had incomes of $5,000 or less.

Thus the proposed pension of $2,400 per year per person is nearly as much or more than the total income of 71 percent of all the families in the United States; and the proposed pension of $4,800 for a family of 2 persons is nearly as much or more than the total income of 92 percent of all families in the United States. Even the payments of $50 per month per person, the minimum under the Hendricks bill, would provide a family of two with $1,200 per year, which is nearly as much or more than 42 percent of the families in the United States enjoyed. (Income data from America's Capacity to Consume, Brookings Institution, 1934, p. 55.)

So far as farmers are concerned, the situation is far worse, when the proposed pension of $2,400 per person per year is compared with a per capita farm income which averaged only $342.15 in 1929 for the entire United States (farm cash-income data supplied by A. A. A., U. S. Department of Agriculture). On a family basis, the proposed pension of $4,800 for a family of two may be compared with the incomes of farm families; wherein, according to the Brookings study, 25 percent of all farm families received less than $500, 54 percent received less than $1,000, 89 percent received less than $2,500, and 98 percent received less than $4,500.

Transferring wealth from 92,000,000 consumers to 8,000,000 consumers would decrease rather than increase the national purchasing power.

Such a transfer of wealth would disrupt our whole economic system. It would work particular hardship upon agriculture. The old-age pensioners being required to expend the total pensions currently each month, would necessarily expend most of the increased income for nonagricultural commodities, as they would not be able to increase very much the total consumption of food products. After all, a human being can only eat about a certain quantity no matter how much income he has. The increased consumption of cotton and wool for clothing would be limited because the group eligible for pensions amounts to only about 8 percent of the consuming public.

Because of the enormous taxes to be paid, the purchasing power of the 92 percent of consumers would be reduced. While the expenditures of the 8 percent of consumers would be large and would therefore stimulate demand for commodities bought and to that extent influence advances in prices and create employment.

Furthermore, the greater demand created for nonfarm goods than for farm goods probably would result in raising the prices of industrial goods more than the prices of farm commodities, with the result that the existing wide disparity between farm prices and nonfarm prices would be widened. This would mean further loss of purchasing power for farmers. This would be tempered to the extent that the increased purchases of 8 percent of the consumers resulted in increasing farm prices.

In short, this proposal would launch the Federal Government upon a course which imposes upon the masses of people, one of the most inequitable forms of taxation, which requires immediately as a very minimum an amount of money which would be ruinous in its consequences both to agriculture and to the Nation as a whole under present circumstances, which proposes ultimate burdens to be imposed upon the people that are utterly fantastic but which if really applied would wreck our economic system and perhaps destroy our Nation, and which imposes these heavy burdens unnecessarily upon millions of people unable to bear them, in order to pay excessive and unnecessary benefits to many people who do not need such amounts. It is unnecessary to impose these heavy burdens upon all in order to provide reasonable pensions for those who really need them.

Respectfully submitted.

W. R. OGG, *Director of Research.*

I call particular attention to the pyramiding of the tax burden mentioned in the analysis:

Every time a commodity is sold, every time it is transported commercially, every time a wage or salary payment is made, every time an income payment is received, a tax would be levied on the total gross amount of the sale, wage payment, or income payment, with no deductions for losses, expenses, or costs of any kind.

That is one of the iniquities of this legislation. A man must pay a tax on his losses just the same as on his gains. On a transaction he lost $1,000 he would be taxed to the same extent and in the same way as though he had gained $1,000. Everyone knows that is an abominable, iniquitous, and unreasonable type of tax.

I have a letter here from Mr. Fred Brenckman, Washington representative of the National Grange. It reads as follows:

THE NATIONAL GRANGE,
Washington, D. C., May 29, 1939.

Hon. ROBERT L. DOUGHTON,
House Office Building, Washington, D. C.

DEAR MR. DOUGHTON: In response to your request for information regarding the attitude of the National Grange with reference to H. R. 6466, embodying what is commonly known as the Townsend plan, we wish to report that at one of our recent annual sessions the Grange adopted the following resolution bearing on this subject:

"*Resolved,* That the National Grange is opposed to any form of old-age pension which will discourage thrift and saving during the person's productive years, but strongly favors a contributory system of old-age insurance."

In looking over H. R. 6466 we note that while the bill presents some variations from the original plan, the objective is still the same. Dr. Townsend has been quoted in the newspapers as saying that the sum of $200 a month would be only a starter, and that if the plan were once placed in operation in due time the pension should be raised to $300 per month. The bill, as drawn, would place a tax of one-half of 1 percent upon the gross proceeds of any sale made by the producers of any product, including the products of agriculture. A like tax is placed upon manufacturers, wholesalers, or jobbers. Those engaged in any other business, trade, activity, occupation, or calling would be required to pay a tax of 2 percent upon their gross receipts.

The revenues derived from these taxes would be placed in a separate fund, to be paid out on a monthly basis to pensioners or annuitants of both sexes over the age of 60 years, after deducting the expenses of administering the system.

It would, of course, be impossible to analyze this bill in all its ramifications in the space ordinarily devoted to a letter.

No one could furnish even an approximate estimate as to the revenues that would be derived by the imposition of the taxes imposed by the bill. However, keeping in mind the fact that the supporters of the Townsend plan aim to provide a pension of at least $200 a month for all citizens of the United States who are over 60 years of age and who are not habitual criminals, let us assume that 10,000,000 people will be eligible under the plan. This would call for taxes aggregating $24,000,000,000 a year.

This sum is equal to more than one-third of the national income during 1938. Last year our total tax bill—National, State, and local—amounted to $13,214,000,000. Last year the total taxes collected by all units of Government were equal to 23.6 percent of the national income. If the money we borrowed and spent were added to the taxes collected, it would amount to nearly one-third of the national income. How the people could be expected to pay the additional taxes called for by the Townsend plan is not clear to us.

An actuary located at Minneapolis has made some careful calculations based on the mortality tables of the old-line insurance companies, and according to his findings if the Townsend plan, as it has been presented to the people all over the United States, were placed in operation, it would be equivalent to saddling the Federal Government with a debt or a liability of $251,000,000,000. This calculation is based on what it would cost the Government to pay $200 a month to all persons now living who are 60 years of age or older.

According to the National Industrial Conference Board, the total national wealth declined to $247,000,000,000 during the depth of the depression. We have not seen any recent estimate in this connection.

Every man who has social brains and the heart to feel for the wants of the old, the infirm, and the distressed is naturally willing that everything possible should be done to help these members of the human family. However, there is one point that must be kept firmly in mind. It is this: There can be no such thing as personal or individual security that is not based on national security. Any plan that would wreck the United States Government would surely leave each one of us stranded individually. That the Townsend plan would wreck the Government, if placed in operation, cannot be denied by anyone who will think the matter through and who is willing to look facts in the face. Among other things, it violates that sound principle of legislation which should always be kept in mind, namely, the greatest good for the greatest number. Placing our population at 130,000,000, it would tax 120,000,000 people to the point of extinction to give a joy ride to the other 10,000,000 people over 60 years of age.

According to census figures, the average farm owner of the United States is about 50 years of age. It may be assumed that his wife has lived about as long. Why should the farmer and his family, who toil from dawn until dusk, be asked to pay a part of the proceeds of every sale they make to help maintain in idleness or even luxury those who have attained the age of 60 or more? The same question may be asked with reference to those who are engaged in any other industry, vocation, or business.

There is only one basis upon which any government can endure, and that is that the people must support the government. Any attempt to reverse this principle, asking the government to support the people, could not fail to result in disaster.

Yours sincerely,

THE NATIONAL GRANGE,
By FRED BRENCKMAN,
Washington Representative.

You have heard what he says: That the Townsend plan would wreck the Government if placed in operation; that it would tax 120,000,000 people to the point of extinction to give a joy ride to the other 10,000,000 people over 60 years of age.

O Mr. Chairman, this bill if put into operation would break the legs of industry; it would break the back of agriculture, and it would break the neck of labor. That would be the effect of this unsound, impossible, unworkable, chimerical scheme.

I quote the following letter from the Railway Labor Executives' Association:

RAILWAY LABOR EXECUTIVES' ASSOCIATION,
Washington, D. C., May 29, 1939.

Hon. ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee,
House Office Building, Washington, D. C.

DEAR SIR: I am directing your attention to bill H. R. 6466 and at the outset state definitely that the Railway Labor Executives' Association, composed of the members as indicated on the letterhead, are definitely opposed to this bill.

The language of the bill does not exempt the railroads nor the employees employed by the railroads from the taxation specified in the bill, although both the employees of the railroads and the railroads are paying a definite tax for old-age retirement and annuities.

Under the term "exemptions," section 6, irrespective of exclusion of associations or organizations operating under the lodge system, it would still require the members of such associations or organizations to pay a tax in addition to the tax already provided for under the railroad retirement tax bill, Public, No. 174, Seventy-fifth Congress, without receiving for such taxation a proper remuneration for taxes paid.

We understand that this bill is to be considered on Wednesday, May 31, and is not subject to amendments. We therefore pray that this bill, H. R. 6466, will be defeated since it is discriminatory in a far-reaching way with respect to the railroads and approximately 1,000,000 railroad employees.

Yours very truly,

J. G. LUHRSEN, *Executive Secretary.*

I received the following letter from the executive secretary of the American Association for Social Security:

AMERICAN ASSOCIATION FOR SOCIAL SECURITY, INC.,
New York City, May 26, 1939.

Hon. R. L. DOUGHTON,
Chairman, Committee on Ways and Means,
House Office Building, Washington, D. C.

MY DEAR REPRESENTATIVE DOUGHTON: Thank you ever so much for your kind letter of the 25th enclosing a copy of H. R. 6466, representing the latest edition of the Townsend plan.

I cannot see that the revised bill changes the basic fallacies of the Townsend program. It merely reduces the sales tax for certain groups from 2 to one-half of 1 percent while it maintains the 2-percent tax on retail trade, wages, etc. The main defects of the Townsend program lie in the fact that—

(1) It seeks to accomplish a universal panacea through a most regressive tax program.

(2) It attempts to set up the aged as a separate group to whom money will be given not in accordance with their needs but as agents to bring in utopia for the rest of the country.

(3) Instead of giving assured protection to the aged in need, all aged will have to depend entirely on the money available with merely the hope that they can get as much as $200. This is especially serious since the Hendricks bill abolishes the present social-security provisions which are certain and definite and substitutes for them the most uncertain and indefinite program so that even the needy may not get sufficient protection.

(4) It attempts to foist upon the country a financial obligation which the Nation may not only be unable to carry but which may destroy our entire economy.

In view of the above, I do not see that the revised bill changes the picture and I still stand by the statements I made before your committee.

I expect to be in Washington next week and, if at all possible, would appreciate your giving me a few minutes of your time on Thursday morning to discuss with you some of the committee's recommendations regarding unemployment insurance.

Thanking you again for writing me, I am

Very sincerely yours,

A. EPSTEIN, *Executive Secretary.*

I received the following letter and memorandum from Mr. Merryle Stanley Rukeyser, of New York, economic commentator for International News Service:

MERRYLE STANLEY RUKEYSER,
New York, N. Y., May 29, 1939.

Hon. R. L. DOUGHTON,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

DEAR MR. DOUGHTON: As requested by you in your letter of May 25, I take pleasure in sending you herewith my views on H. R. 6466, the revised version of the Townsend plan.

As a matter of possible interest in connection with your current hearings, I am also enclosing a copy of a recent series of articles I have written on taxation. In view of the study which I have made of this subject, some of my colleagues suggested that I offer to appear before the House Ways and Means Committee to present my views on Secretary Morgenthau's proposals for tax revision. I could do so late this week.

Please let me know whether this is desired.

Cordially yours,

M. S. RUKEYSER.

MEMORANDUM BY MERRYLE STANLEY RUKEYSER, ECONOMIC COMMENTATOR FOR INTERNATIONAL NEWS SERVICE, ON H. R. 6466

The latest edition of the Townsend plan, namely, H. R. 6466, seems to embrace the same old economic fallacies.

Bad legislative proposals are the children of unsound economic theory. The Townsend plan stems from the fallacious economic doctrine that the problem of prosperity is simply one of diffusing purchasing power.

There has been infinite loose thinking on this subject, especially on the part of respectable heterodox theorists.

They go haywire by making the incomplete observation that in times of depression there is less consumption than in times of prosperity. Up to that point, the observation is correct. But it by no means follows that the job of society is merely to create or subsidize additional consumers.

This misconception leads to the fantasies of social credit and the Townsend plan. Theorists of this school in effect advocate dropping dollars indiscriminately out of dirigibles in order to increase buying power.

But such theorists are not seeing the economic problem whole. They overlook the basic fact that the exchange value of one man's production gives him the purchasing power to acquire the next fellow's production. Modern business is merely the mechanism by which specialists swap their output for the production of others in order to get the various goods and services needed for the comfort of the family.

But if the state intervenes and arbitrarily gives purchasing power to consumers who do not produce, such consumers will become leaners on the gainfully employed.

Those on a dole or in nonproductive made work are in effect leaners.

They take goods and services out of the national heap without renewing it with a quid pro quo in the form of their own production.

This analysis deals with the slick argument of the Townsend plan advocates that if we gave pensions up to $200 a month to those 60 or over and forced them to spend the funds within a month, the country would be promoting recovery by increasing purchasing power.

It is analogous to the argument for big foreign loans. It is urged that they provide employment, even though eventually the loans may be repudiated and this would mean giving away valuable goods to foreigners.

If "purchasing power" theorists went to chief executives of department stores and advocated that they increase their turn-over by giving away merchandise the latter would not be greatly impressed with the "plan."

The new bill is mischievous, especially because it would repeal the provisions of the Social Security Act dealing with old-age assistance and with contributory old-age benefits. It would substitute an unscientific formula for the law which has been on the statute books since 1935 and which will be effectively revised if the sane recommendations of the House Ways and Means Committee are followed.

The Townsend Act would levy a gross income tax of 2 percent on all incomes and would also, in addition to a retail transactions tax of 2 percent, put a levy of one-half of 1 percent on manufactures, agriculture, mining, and fisheries.

It would pay large benefits to the superannuated wealthy and the needy alike, exhausting younger taxpayers in order to do so. If perchance the maximum pensions should be paid, families with both spouses pensioned would receive four times the income of the average active American wage earner. The scheme would enrich the idle by transferring to them the substance earned by the self-supporting.

Ignoring the fact that existing taxes, though oppressive, are insufficient to meet the cost of government, the Townsend bill would seek to preempt the transactions tax for a new form of spending.

The Townsend plan vaguely purports to offer as a maximum vastly more than the public assistance grants under the Social Security Act, which are available only to those who take a means test.

These are but samples of the voluminous testimony to this effect.

It is sufficient to say that the plan has been thoroughly condemned by the representatives of labor, business, agriculture, and particularly by those who are recognized as unbiased experts in the field of social security and taxation. Thus we have on one hand, a scheme which may be properly labeled as the climax of economic heresy, and is obviously the result of selfish, unintelligent, and unsound delving into a field foreign to their experience by a group of visionary amateurs, and on the other hand a well-thought-out and feasible system of social security, which our committee will report out within a day or two, which represents the best efforts made through years of study by the leading experts in that field.

The issue is clearly drawn and it is the duty of the Congress to meet it squarely, openly, and fearlessly. The issue is—Shall we continue in effect the principles of social security which we have seen tried and tested, or shall we accede and surrender to the demands of crackpots, and accept a plan never before tried by any nation on earth, and one which violates every sound economic principles?

The Townsend scheme, if enacted into law, would, in my judgment, produce universal distress and national disaster, and I trust we will kill it so dead and bury it so deep that its proponents in the future will devote their time and attention to something more constructive and less dangerous.

Lastly, Mr. Chairman, I set forth as part of my remarks a table, prepared by W. L. Price, a member of the staff of the Joint Committee on Internal Revenue Taxation, showing the estimated additional tax burden necessary to pay maximum pensions of $200 per month to 8,000,000 and 10,000,000 persons, based upon per capita cost computed on population of 130,000,000:

The Townsend plan—Estimated additional tax burden necessary to pay maximum pensions of $200 per month to 8,000,000 and 10,000,000 persons, based upon per capita cost computed on population of 130,000,000

MAXIMUM PENSION, $200

Pensioners	Annual cost	Per capita cost
8,000,000	$19, 200, 000, 000	$147. 69
10,000,000	24, 000, 000, 000	184. 62

COST OF TOWNSEND PLAN BY STATES

[On per capita basis—1936 estimated population 128,884,000]

State	Actual internal revenue collections, 1938	Estimated additional cost, maximum of $200 per month	
		8,000,000 pensioners	10,000,000 pensioners
Alabama	$16, 929, 203. 24	$422, 984, 160	$528, 751, 680
Arizona	4, 513, 075. 19	59, 962, 140	74, 955, 720
Arkansas	8, 046, 468. 34	298, 776, 870	373, 486, 260
California	315, 570. 028 00	894, 853, 710	1, 118, 612, 580
Colorado	34, 282, 573. 53	157, 437, 540	196, 804, 920

The Townsend plan—Estimated additional tax burden necessary to pay maximum pensions of $200 per month to 8,000,000 and 10,000,000 persons, based upon per capita cost computed on population of 130,000,000—Continued

State	Actual internal revenue collections, 1938	Estimated additional cost, maximum of $200 per month	
		8,000,000 pensioners	10,000,000 pensioners
Connecticut	$96, 310, 529. 35	$256, 094, 460	$320, 131, 080
Delaware	80, 717, 110. 47	38, 251, 710	47, 816, 580
District of Columbia	35, 760, 942. 29	91, 420, 110	114, 279, 780
Florida	42, 959, 445. 41	242, 506, 980	303, 146, 040
Georgia	33, 724, 693. 09	451, 931, 400	564, 937, 200
Idaho	4, 362, 441. 74	71, 619, 650	89, 540, 700
Illinois	497, 963, 517. 42	1, 158, 628, 050	1, 448, 343, 900
Indiana	114, 163, 319. 54	510, 859, 710	638, 600, 580
Iowa	24, 593, 358. 38	375, 575, 670	469, 488, 660
Kansas	24, 637, 081. 03	278, 543, 340	348, 193, 320
Kentucky	122, 200, 619. 24	425, 790, 270	532, 259, 460
Louisiana	45, 786, 260. 99	313, 398, 180	391, 763, 640
Maine	15, 075, 260. 28	125, 979, 570	157, 480, 860
Maryland	108, 973, 372. 02	247, 233, 060	309, 053, 880
Massachusetts	186, 277, 559. 11	653, 528, 250	816, 943, 500
Michigan	308, 182, 920. 50	706, 401, 270	883, 037, 460
Minnesota	71, 466, 304. 30	389, 163, 150	486, 473, 700
Mississippi	6, 610, 539. 32	296, 561, 520	370, 716, 960
Missouri	134, 617, 025. 97	584, 704, 710	730, 910, 580
Montana	6, 000, 459. 32	78, 423, 390	98, 033, 220
Nebraska	20. 991, 112. 10	201, 449, 160	251, 821, 680
Nevada	4, 925, 530. 06	14, 769, 000	18, 462, 000
New Hampshire	9, 196, 853. 32	75, 026, 520	93, 786, 960
New Jersey	210, 509, 618. 66	639, 202, 320	799, 035, 360
New Mexico	2, 958, 951. 78	62, 325, 180	77, 909, 640
New York	1, 244, 298, 641. 03	1, 910, 370, 150	2, 388, 059, 700
North Carolina	327, 018, 171. 48	510, 564, 330	638, 231, 340
North Dakota	1, 579, 263. 21	103, 826, 070	129, 787, 860
Ohio	335, 417, 098. 89	991, 442, 970	1, 239, 354, 060
Oklahoma	62, 661, 773. 46	373, 360, 320	466, 719, 360
Oregon	14, 939, 960. 63	150, 200, 730	187, 758, 540
Pennsylvania	475, 316, 900. 31	1, 496, 985, 840	1, 871, 308, 320
Rhode Island	32, 478, 532. 75	100, 576, 890	125, 726, 220
South Carolina	12, 101, 084. 27	274, 703, 400	343, 393, 200
South Dakota	1, 970, 673. 23	102, 201, 480	127, 757, 040
Tennessee	32, 142, 317. 67	422, 984, 160	528, 751, 680
Texas	139, 526, 049. 31	903, 419, 730	1, 129, 320, 540
Utah	8, 138, 003. 37	76, 208, 040	95, 263, 920
Vermont	4, 735, 769. 45	56, 122, 200	70, 155, 600
Virginia	202, 403, 845. 49	394, 479, 990	493, 120, 020
Washington	35, 395, 703. 22	251, 811, 450	314, 777, 100
West Virginia	24, 348, 370. 55	270, 272, 700	337, 854, 600
Wisconsin	96, 981, 214. 96	429, 482, 520	536, 874, 960
Wyoming	3, 352, 877. 76	34, 411, 770	43, 016, 460

Estimated additional cost of paying pensions of $100 per month is one-half of above estimates—$50 per month one-fourth of above estimates.

Mr. BREWSTER. Mr. Chairman, I am obliged to say that on account of the limitations of the gag rule which have been imposed in the discussion of this measure it will not be possible for me to yield.

The gentleman who just preceded me has stated on this floor that this measure comes here under an unprecedented procedure, that never before in his long service has a bill been brought here in the fashion in which this bill is brought to the floor of the House for consideration. That is a sufficient indication of the Nation-wide interest. He said, I believe, that never had he had so universal a call for consideration of a measure. This indicates that the matter transcends the ordinary procedure under which bills are here presented.

I hold in my hand an apparently inspired story attributed to experts on the Social Security Board stating that next week we are to consider a radical revision of the Social Security Act under which we are to take in a billion dollars less and we are to pay out a billion more. At the present time we are running a deficit of approximately $4,000,000,000 a year. The question is now coming home to the American people: How much longer shall we march down the road to ruin under the leadership of a gentleman who with all his intriguing charm is ultimately going to come to be recorded in history as the Pied Piper of Hyde Park? [Applause.]

The issue is whether we shall pay as we go or continue to borrow as we go until our economy shall entirely collapse.

AMERICA MUST CHOOSE

The old-age program now before the House proposes to tax the American people to pay old-age assistance. It proposes not to pay out one cent that is not first taken in. This principle must be adopted if the Budget is ever to be balanced. Only along this road can the American system of free enterprise be salvaged from the financial chaos that now looms.

This measure repeals the pay-roll tax. This will save workers in the State of Maine $3,000,000 a year. This measure relieves the State of Maine of an annual expenditure of $1,500,000, which would be raised to $3,000,000 if all deserving citizens of Maine were put on an equality.

Today Maine contributes $3,000,000 a year to the Federal Treasury in the name of social security and gets a million back. The balance of two million is used to finance in part activities in no way related to the purpose for which the tax is paid.

This measure comes nearer than any other that has been seriously considered by this Congress to redeeming the pledge of the Republican platform of 1936 for a pay-as-you-go program of old-age assistance on a Nation-wide basis financed by a direct tax widely distributed. As that platform declared "Everyone will benefit, therefore everyone should share."

Every Republican may vote for this measure as the only way in which he is permitted to register in parliamentary procedure his conviction that old-age assistance must be put on a pay-as-you-go basis if it is not to meet inevitable collapse.

As against that program which is wrecking the finances of the country, we are here considering a measure which proposes to levy a tax and not pay out one cent that is not first taken in. Unfortunately, it is not possible for this great deliberative body to consider the details of this act. We must take it or leave it as it is. Even its chief sponsor has indicated he does not consider it a perfect measure.

We are, however, compelled to record ourselves either for one theory or the other of social security; either for the theory under which we have been functioning for the past 5 years with a constantly mounting deficit, by which pay-roll taxes are levied on approximately one-third of the productive workers of our Nation, and two-thirds of the proceeds are used for the purposes utterly other than that for which the tax is levied. We shall this year pay in $750,000,000 under the pay-roll tax and $500,000,000 of that sum will be diverted to other purposes than that for which the money is paid in. Yet all this is done in the name of sanity and security.

Let us hark back to 1932 and see what they then told us about the $3,000,000,000 deficit of the Hoover administration. If that was responsible for misery and unemployment then what of the $20,000,000,000 deficit since? Yet you ask, How is this bill related to balancing the Budget? The President has told us in connection with the farm appropriation that we should not appropriate that billion dollars until we provided the funds. That principle is sound.

Mr. Chairman, here is the only instance in my experience where pressure groups of any character have come asking not primarily for an appropriation but have asked for the levying of a tax and have not asked one cent that that tax does not first produce. It requires not the wisdom of the ages to know that unless this Government soon adopts that fiscal policy and provides the necessary revenue, then we are pointed to inevitable chaos. Unemployment will much more abound as confidence continues to decline.

We are faced, and I am voting here today on the simple principle that I believe we should place old-age assistance and all the other functions of this Government on a pay-as-you-go basis and this without delay. That is the principle for which I am casting my vote today.

My friends on the other side of the aisle will not permit us to consider amendments of any kind. I should prefer that the constitutional aspects of this problem receive more consideration than they have already had. I stated before the Ways and Means Committee that I welcomed the submission of a constitutional amendment which would clarify beyond any doubt the right of this Congress not only to levy the taxes but to segregate them for specific purposes, as provided in this act. But I call your attention to the fact that the leaders of the Ways and Means Committee proclaimed within 2 weeks, according to authoritative stories, that they thought now after 3 years they have discovered a device by which they might constitutionally protect these funds against the diversion that has been a disgrace to this administration thus far. We are not yet privileged to see the constitutional device invented by these gentlemen, but if they would permit, that device would be just as much available to carrying out the provisions of this act.

This measure also replaces the pay-roll tax. It substitutes for the pay-roll tax inflicted on one-third of our workers a direct tax widely distributed in accordance with the pledge of the Republican platform of 1936. This measure favors the only concrete proposal by which, under parliamentary procedure, we on this side are permitted to record before the electorate our readiness to support a sound program of old-age assistance, financed on a pay-as-you-go basis.

This measure also provides that the funds or proceeds shall be used to buy American, not Argentine. [Applause.] That, it seems to me, must invite some favorable consideration, at least on this side of the House.

Mr. Chairman, to those who believe that an unbalanced Budget can indefinitely go on, there is nothing I can say. To those of who believe in a balanced Budget only two courses are open. Either we may discontinue old-age assistance or we must levy the taxes necessary to pay the bill. I choose the latter course. I am quite ready to cooperate with all these who believe in a balanced Budget and in continuing old-age assistance in the evolution of a program that will put our national finances in order and equitably distribute the burden of old-age care. This measure represents an honest effort to that end.

Such measures will ultimately be developed and in the not-distant future, and sound finance will be restored to the Treasury of the United States. [Applause.]

EXCERPTS FROM STATEMENT OF REPRESENTATIVE RALPH O. BREWSTER BEFORE COMMITTEE ON WAYS AND MEANS, HOUSE OF REPRESENTATIVES, ON SOCIAL SECURITY, ON FRIDAY, FEBRUARY 10, 1939

Mr. BREWSTER. As I understand, the committee is concerned with the problem of social security in these hearings. And it is that to which I shall address myself.

BALANCING BUDGET

I approach it from the angle of restoring us to a sound financial basis. That is my primary approach—from the standpoint of a balanced Budget—which I know this committee has historically recognized as the cornerstone on which any sound prosperity must be based.

I subscribe unequivocally to a statement which I think is profoundly true, that "too often in recent years liberal governments have been wrecked on the rocks of a loose fiscal policy," and I feel that the members of this committee, more perhaps than any other group in the Congress or in the country, will recognize the imperative necessity of getting us back to a sound financial basis.

There is, incidentally, also in what I shall say an aspect of assisting the States to balance their budgets, although I recognize that that is not here our primary concern. But we do realize that in recent years the Federal Government has increasingly held out the attraction of Federal grants on a matching basis and so does have a considerable measure of responsibility for the tragic financial situation in which most of our States find themselves, as well as the Federal Government. And if we can find any measure in our action here which will check that tendency and at the same time assist in some measure the States as well to get back to a sound financial basis, I think we shall recognize that we are performing a very real public service.

The program here proposed involves the social use of the taxing power which I think has been recognized almost throughout our history and is associated with the method of old-age assistance, which is one of the titles under the Social Security Act, the amendment of which we are here considering.

I have become more and more persuaded that it may only be along lines such as this that we may get back to, first, a sound financial basis and, second, meet the broadening and humanizing sense of social security which has developed in recent years.

My proposal to the committee in connection with the bills now in hearing is that this may be accomplished by a program of universal old-age assistance on a pay-as-you-go basis, financed by a direct tax, universally distributed. That is the principle which I am here to advocate and which I believe may contribute very materially to the solution of many of our economic ills.

CONSTITUTIONAL QUESTION

First I want to address myself to its constitutional aspects, as that was brought to our attention yesterday in connection with the pending revenue legislation, and has been brought very forcibly home by the decision in the *Hoosac Mills case*, where the Triple A was found to be unconstitutional because it levied a special tax for a special purpose. *Hoosac Mills case*, 297 U. S. 1.

I would prefer that this problem were approached from that aspect. It seems to me a sufficiently fundamental change in our

economic and social functioning, to warrant a consideration of that character, and it would certainly clarify beyond any doubt any constitutional questions that may be involved.

It would also serve to lock the door against the danger of other abuses in using the Federal taxing power for a variety of other social purposes.

I feel that the old-age problem may well be dignified by that constitutional recognition. I realize that it is entirely possible by apparently constitutional means, or at least by means that are not open to constitutional challenge, to accomplish perhaps the results we have in mind exactly, as did this honorable committee in the existing law. The constitutional problem is practically the same.

The committee, in the drafting of the Social Security Act and in its submission to the Congress, have recognized that problem by first providing for the various forms of social aid that are provided in the existing law, and then, in the end, simply levying a tax for general purposes. It seems probable that that may avoid constitutional challenge, not necessarily because the expenditures of the Government may constitutionally be made for the purposes provided in the act, but because no taxpayer may be able to challenge it, since the method by which the tax is levied under the decisions of the Supreme Court cannot be challenged by an individual taxpayer or by any group, unless the taxes are levied and dedicated to a specific purpose that is unconstitutional.

I should consequently prefer to see this problem approached in that way. I believe that the importance of the problem and of the method proposed for its solution warrant the deliberate consideration that is involved in a constitutional amendment. I believe that if two-thirds of the Congress and a necessary plurality of the State should come to recognize this specific problem and its solution, because of its contribution to our economic and social progress, it would mean that the people themselves, as a whole, are ready for the adoption of what in some respects seems a new departure in our economic life. We recognize, however, that the problem is a practical one.

I think that many Members of Congress yesterday, with all honesty—I know certain members of this committee—defended their action in enacting legislation which was seemingly flatly in contravention of the decisions of the Supreme Court as to taxing State employees, because either they felt that the attitude of the Court may change as its personnel changed, or that it would enable the question to be decided. (The Court has since justified that doubt.) So that I do not feel—and I do not challenge the sincerity of any man who took that position—that we necessarily must confine ourselves to a constitutional amendment. I say simply that I would personally prefer to see a solution along that line.

PRINCIPLE INVOLVED

Now, for the provisions of the legislation, forgetting the constitutional question for a moment. I said that I propose a universal plan of old-age assistance to be distributed to everyone alike passing a certain age. I realize that is challenged on the ground of not incorporating a needs test, such as is contained in existing legislation, and such as has always commended itself to the sense of thrift as a motive for the functioning of our entire economic machine.

The objection which I have to the needs test is, first, that it results in abuses of various kinds, and in tremendous expense in administration.

INEQUITIES

Under the present law, for instance, the average payment is between $19 and $20 per person assisted. But that varies from $6 or $6.50 in Mississippi up to $27 in some States. That is a tremendous spread. It would not seem that that could reflect the needs of the individual concerned—a disproportion of such great amount.

Second, in some States, 500 out of every 1,000 persons above the age of 65 are getting aid; in Oklahoma conspicuously. In other States it is as low as 100 or 150. On the average it is 200 per 1,000 of the eligible population. Such tremendous disparities certainly indicate a great difference in administration.

In addition, local abuses are almost inevitable in administration of the needs test. In the first place, you must have a very large group of social-service inquisitors going about to determine the needs of all these people. It is a tremendous job.

If you had it administered by investigators, with all the wisdom of Solomon and all the sincerity of a saint, it would be a tremendous problem. And it must be kept constantly up to date as the recipients change and as the conditions of the individuals change.

In addition, if any sectional or partisan or personal considerations enter, immediately the whole thing is thrown out of gear and tremendous social inequalities and political abuses result.

We had this situation in my own State of Maine, where under the early administration of this law there were most regrettable abuses, resulting either from personal or partisan approach to the problem.

In my own district there was a great area that was of one political persuasion. And I may say that it was not my persuasion. They got no old-age assistance at all. There were 25,000 people in that area and they got 10 old-age pensions, under the administration of this act. Certainly it was associated in no way with their needs, because it was one of the most needy areas of my State, and of my district. But apparently they were in the bag. They did not manage to get any aid. The administration then in power did not need to give them old-age assistance in order to secure their political support.

There was a city where one of our most distinguished citizens lived, of 20,000 population. They got 40 pensions. There was a little town in my district with 1,200 population which got 42 pensions. Now, there could be no relation between the needs of the old people in the little town of Millbridge in my district and the great city of Lewiston. What was the explanation for that disparity must be given by those responsible, but it illustrates the abuses that almost inevitably result.

It is for these reasons: First, the problem of the tremendous amount of bureaucracy, investigators and continued investigations that have led me to question the wisdom of the needs test; and second, the abuses which it seems to me must inevitably result.

Discriminations on the line of race, or color, or creed, or of a variety of other considerations in the administration of any human responsibility also must be considered.

The contrast is a universal system that gives assistance to everyone over a certain age, so that they merely have to establish that they are American citizens, and show that they were born at a certain date, and they automatically become eligible to participation in this fund.

I realize that it was rather shocking to a great section of American public opinion when it was suggested that the needs test might be eliminated. I was one of those who hesitated long over that proposition, but the more I have seen this in operation the more fully I have become persuaded that the alternative provision of a universal old-age plan would be wise.

FORM OF TAX

Second, as to the tax: A direct tax universally distributed. I realize that those who have been associated in any measure with proposals for a solution along these lines have been seriously suspected as to their economic if not their political soundness. I want to point out that one of the features of this situation which attracted me, coming from a section of the country historically devoted to sound money, was the fact that the advocates of this solution did not propose to devalue the dollar; did not propose to inflate the currency; did not propose to print greenbacks or to borrow the funds. And I think that that must be recognized as very different from many proposals which would lead us down the trail to an inflation that would destroy the value, not only of our currency but of our country.

They propose to tax everyone in order to help everyone as they grow old.

The words of the Republican platform are somewhat pertinent when they used this language in 1936: "All will be benefited and all should contribute," in pledging the Republican Party to the financing of old-age assistance by a—and I quote the words—"direct tax widely distributed." That was the suggestion of the platform.

Now, as to the character of the tax, a direct tax widely distributed. I am not going to undertake to educate this committee on questions of taxation, because that has been your responsibility throughout your service on this body.

We have tried a variety of ways of raising money in the upper brackets and the lower brackets and have treated it by various kinds of taxes. We have tried soaking the rich until we reached the point of diminishing returns, until now, in the past 2 years, I have heard no one in any responsible position, at least, seriously suggest that we could achieve any substantial revenues except by moving in the direction of a direct tax widely distributed.

SMOOT PROPOSAL OF 1922

I was most interested in the history of approaches to the tax problem in the last 15 years, beginning with the Smoot proposal of 1922 looking in the direction of an excise tax, and culminating in the proposal sponsored by this committee, not quite unanimously because three members signed a minority report but the remaining members of the committee on both sides in 1932 had some very definite things to say about, first, the importance of balancing the Budget and, second, the method by which it might be done.

WAYS AND MEANS COMMITTEE 1932

I read from the report of the committee on the revenue bill of 1932:

"It cannot be doubted, however, that any failure to balance the Budget in 1933 showing as it would a continuing failure in the face of known conditions to meet current expenditures out of current receipts would evidence such a lack of sound business methods in the conduct of our national finances as to cause a loss of confidence and apprehension as to the future.

"* * * In the opinion of your committee the preservation, unimpaired, of the national credit is the most important single issue facing this country today, and it is confidently stated that this is possible only by taking those steps necessary to balance the Budget for 1933.

"Temporary relief measures, such as the bill creating the Reconstruction Finance Corporation, will be to a large extent ineffective unless steps are taken to balance the Budget and maintain the national credit."

The three members of the committee who signed a minority report I think took no exception to that statement, but proposed an alternative or additional method of balancing the Budget by placing taxes upon liquor and upon beer.

For the purpose of balancing the Budget, after reviewing in this certainly very exhaustive report all the various methods which might be adopted, the committee finally settled upon the so-called manufacturers' excise tax, at the rate of 2¼ percent, which was certainly a direct tax widely distributed, estimating that that would yield between five and six hundred million dollars and would make a most important contribution.

The committee reviewed in this report the reasons why they believed that was the most equitable and soundest way, from the economic standpoint, to approach this problem.

It is my judgment that nothing which has developed in the last 6 years has altered the essential soundness of the committee's then unanimous conviction that the balancing of the Budget by what amounted to direct taxes widely distributed was the only basis on which we could get back to a sound position.

You may well ask, What is the relation between that proposal and the other suggestions which have been made? Certainly they possess this in common, that both measures—I will speak more especially of H. R. 2—propose a direct tax widely distributed. That certainly fulfills the definition to that extent.

Now, the great contribution which it seems to me has been made by this agitation has been the awakening of millions of our people who might not otherwise realize the significance of this problem to the necessity of additional taxes if our troubles are going to be worked out. That, to me, is the greatest service that is being rendered by those who are earnestly advocating a step along these lines. And to that degree they certainly are associated not only with this committee in all its soundness but with all those conservative influences in this country who want to get us out of the mess that we are in.

The manufacturers' excise tax, as I have understood, was adopted because of the simplicity of its collection and operation. It would involve only five to then thousand taxpayers, I believe it was estimated, so that it would be comparatively simple to operate. But that would be apparently about the limit that might be realized after the exemptions which were provided on certain things.

If substantial additional sums are to be realized, the tax must be broadened in its base, and I think the broadening of the tax base is recognized by everyone as an essential at this time.

BALANCING BUDGET

How would this contribute to the balancing of the Budget? That problem is not confined, it seems to me, simply to the tax and to the distribution. We realize that we are now running on a basis of about nine billions expenditures and six billions revenues. And in order to get a realistic approach to this, we certainly have got to cut our expenditures as well as increase our revenues.

No one has seriously proposed, I believe, this year—not even the Economy League—that we could at this time cut our expenditures by $3,000,000,000 to balance the Budget. That would result in a terrific crisis, and that would be necessary to get us down to the six billions. There seems no immediate prospect that our national income will increase to the seventy or eighty billion dollars envisaged by the President in his recent Budget message within the next year or two in order to bring a balance of the Budget along that line by increased governmental revenues.

In fact, from what communications I have had with those concerned with the agricultural situation in the Government, I am told that they believe that it is going to grow very much worse in this year; that farm prices are altogether likely to fall instead of to rise, and that will mean that our national income will decline and our national revenues will decline, rather than increase.

So that it seems to me we cannot hope to balance the Budget by cutting our expenditures to fit the cloth. The alternative then is a method by attempting to increase our revenues, to meet the necessities of the country, and it has seemed to me that this proposal possessed not only the economic soundness but also the essential elements to make it possible for the country to adopt.

ELIMINATE RELIEF

In other words, it seemed to me that if we could provide in some degree adequately for the old people of this country, who were more bitterly affected than any other group by the collapse of the banking structure, destroying their savings, and by the crisis of the last 10 years, when they were approaching old age; if we could provide adequately for them so that they could get along, we might rapidly approach the day when our remaining relief problem would be very materially reduced and, perhaps, disappear.

That would come first—and this approaches the recovery aspects of the program—that would come as a result of businessmen coming to the conviction, if we could show them within the next year or two a balanced Budget, that we were back on a sound basis, that they knew what the tax problem is to be, and they were assured of something definite, and finally that the period of experimentation for a few years at least would have passed, and they were not going to be made further subjects of vivisection.

I believe with that assurance to the industries of this country there would be a rapid revival of interest which would absorb in some measure the unemployed and reduce the problem in that regard, and would increase the national revenues otherwise.

And I have even gone to the extent of hoping it may seem entirely pertinent to the consideration by this committee in the matter of social security and a balanced Budget of what I would outline as the method by which this could be achieved.

First, levying the direct tax universally distributed to care for the old and segregating it for that purpose, so that the old people are taken apart from the rest of the population as a problem. It has then seemed to me that we might readily in the first year reduce our relief appropriation to $1,000,000,000, and I was reenforced in this by the recommendation, I believe, of the chairman of the Subcommittee on Appropriations of the House handling that phase of appropriations, Mr. WOODRUM, who, after I had made up my own figures, came out with a suggestion of $1,000,000,000 for relief. In view of his provision of that sum which he apparently considered to be adequate, I think it might well be possible to reduce this relief appropriation even more; that is, perhaps to $750,000,000. But my budget is on a basis of $1,000,000,000 as against the $2,266,000,000 provided in the current Budget that is now before the Congress.

The interest item on the national debt must remain constant at $1,050,000,000. That, of course, could not be changed at the present time.

For social security, in place of the $358,000,000, which includes $245,000,000 for old age, there would be $113,000,000 which would provide for the other items than the old-age assistance. Those would be carried along.

For the veterans, the same sum would be left, $539,000,000. The veteran would not be touched.

REDUCE COSTS 25 PERCENT

In the remaining expenditures of the Government, for all of the bureaus and commissions and so on, I would hope to achieve a reduction there of 25 percent. It has seemed to me that in the mounting and seemingly sometimes a little irresponsible expansion of recent years, the suggestion of a 25-percent reduction in the expenditures for the other departments of the Government would certainly be feasible. If it was feasible in 1932 it certainly is feasible today. And in that way we would save the balance which would enable us to have our remaining Budget, let us call it our normal Budget, at $6,289,000,000, or a reduction of close to $3,000,000,000. That would bring our remaining Budget in balance. The remaining revenues of the Budget under existing tax laws would be adequate to care for the necessary expenses of the Government, including relief and the service of the debt and all the bureaus, and we should be able then to find ourselves once again upon a sound economic basis.

Those are the very practical approaches which I have attempted to make to this problem of getting us back on a sound track.

Now, two other items and I will be done with this statement.

RECOVERY

As to the recovery aspects of this program, I have pointed out already that in my judgment the great contribution to recovery would be through the restoration of business confidence. That is where I would expect to make great gains.

As to the redistributing of purchasing power, which is discussed, assuming our national income at sixty billions, if we take a certain portion of that national income and redistribute it to other individuals—of course, the seven to ten million old people are getting something today; they are at least surviving, so they are getting some portion of our national income. If you give them an additional portion of that income, you, of course, must take it from some source.

The turn-over of the tax on a monthly basis unquestionably would result in a stimulation of national productivity. I do not contend that it would be 100 percent. That is, if you took one or two billion dollars out each year—and turned it over once a month, you would not gain all of that amount. But you would get some effect.

VELOCITY OF MONEY

However, I rest my position primarily upon the effect on our business and economic structure as a whole. It is to be borne in mind that a great deal of our present trouble is at least associated with or indicated in the very low velocity of our money which rose as high, in 1929, in New York, as 132 times. That is, each dollar turned over that many times. In 1934 it was down to 22½. In the country as a whole it has normally been around 25 to 30. In 1929 it was up to 45. In 1933 it was down to 16 and is nearly back at that point now. I believe last year—if I remember the figures—the velocity of the dollar reached its all-time low as a result of the almost complete paralysis of business confidence. Any time anybody got hold of a dollar, they hung onto it like grim death.

Certainly the assurance given in a program such as this would lead not only the old people to spend what money they had received, or would receive, but would enable the great mass of our people under the provided age to spend much more freely, if they felt assured that their old age was to be provided for.

Business, meanwhile, would go ahead with great confidence if it could feel legislative experiments were at an end and the taxation program was stabilized.

NATIONAL INCOME

Now, as the capacity to pay. The President has indicated that he hoped to see our national income go up to seventy or eighty billion dollars. Of course, when you estimate national income it is a rather difficult thing to know just how to term it; it is very easy to pyramid the national income by simply including the various stages of the distribution process. That was done in 1933. So that it is very difficult to compare the national income before 1933 with the national income since. The method of estimating

national income was changed in 1933 so that it would indicate a somewhat larger income than had previously prevailed. To what extent that explains the rise in the income is not clear, but it is a factor.

However, taking 1929 as the basis of comparison and the scale then prevailing—we were, I believe at $80,000,000,000 then—we sank to $40,000,000,000 and we are now, I believe, back to $60,000,000,000 through the altered system of reckoning national income.

But it is to be borne in mind that the Brookings Institution which is, I think, the most conservative economic body in the country and the most thoroughly objective, has estimated that our present economic structure, without any undue strain, without any exhaustion of our resources, could produce not merely the $80,000,000,000 of 1929, but could produce $125,000,000,000. And that, it seems to me, is an objective, in view of the Brookings Institution survey, which we may very definitely keep in mind.

And that means, as Congressman OLIVER, of Maine, pointed out, that throughout the last 10 years our national production has been not merely twenty to forty billions below 1929, but has been sixty to eighty billions below what the Brookings Institution estimated it might properly be.

I am sure that every American, proud of our traditions, will want to do everything possible to get to that goal which is to me the goal they have set up. And the question is how that may be achieved.

It is my conviction that by a step along this line we may possibly cut the Gordian knot that seems too long to have impeded the progress of America to the heights that we all desire.

I think that covers my initial statement, Mr. Chairman.

MANUFACTURERS' EXCISE TAX

Mr. CULLEN. Mr. Brewster, you spoke about the manufacturers' excise tax?

Mr. BREWSTER. Yes.

Mr. CULLEN. Do you remember that Congress considered that in 1932?

Mr. BREWSTER. Yes.

Mr. CULLEN. On a basic rate of 2¾ percent?

Mr. BREWSTER. I thought it was 2¼ percent.

Mr. CULLEN. I stand corrected; perhaps it was 2¼ percent. The estimates submitted of prospective returns at that time were between six and seven hundred million dollars.

Mr. BREWSTER. I thought it was a little under $600,000,000; $590,000,000, I think it was.

Mr. CULLEN. Do you favor the manufacturers' excise tax, Mr. Brewster?

Mr. BREWSTER. I favor, as I have stated, a direct tax universally distributed. That is certainly one. I do not think it goes far enough. That is, I would go further than the manufacturers' excise tax. I would be willing to take whatever I can get, but I want to go as far as I can.

Mr. CULLEN. You also remember that when it was brought to the floor of the House it was rejected?

Mr. BREWSTER. Yes. And I remember that the leader in the fight against that was the distinguished mayor of New York who last year vetoed a bill in New York City which would have repealed the 3-percent sales tax in New York City. So I think that even Mr. LaGuardia has changed his mind, perhaps repents a little of the action he then took.

Mr. CULLEN. Of course, the record shows that there was a divided vote; it was not a partisan vote?

Mr. BREWSTER. I have pointed out that this committee almost unanimously, with only the exception of Mr. MCCORMACK and two others, united on that proposal.

Mr. MCCORMACK. What proposal?

Mr. BREWSTER. On the manufacturers' excise tax.

Mr. MCCORMACK. Why, I proposed it.

Mr. BREWSTER. Then I have been misled in this report.

Mr. MCCORMACK. I proposed it.

Mr. BREWSTER. Where I am misled is that this minority report is signed by Mr. MCCORMACK and recommends the beer tax. That was what led me astray. I am very glad to accept the gentleman as an advocate, if he was.

Mr. CULLEN. That is all I wish to ask. Do any other members of the committee desire to ask Mr. BREWSTER any questions?

Mr. MCCORMACK. Mr. Chairman, I should like to. Mr. BREWSTER, I think if you will look it up, you will find that your information is incorrect. I know that you would not want to make an incorrect statement.

Mr. BREWSTER. I have your report signed by you right in my hand here. It says:

"We, the undersigned members of the Committee on Ways and Means, after having heard and considered the evidence and all of the proposals for raising revenue for the Federal Government, favor the imposition of a revenue tax of $5 per barrel on beer of an alcoholic content of 2.75 percent by weight, or such other method of imposing a tax as will bring into the Treasury revenue conservatively estimated as amounting to $350,000,000."

Mr. MCCORMACK. I think you will find that was when we had the first beer hearing and the committee did not report it out.

Mr. BREWSTER. No. This is incidental to the report by the committee on the revenue bill of 1932, under date of March 8. Those were the supplemental views of the gentleman from Massachusetts.

Mr. MCCORMACK. I was urging that in addition to what the committee reported, because later I offered the general manufacturers' excise tax in an effort to help out the then Secretary of the Treasury, Mr. Mills—to help him out of his predicament. We were raising $1,641,000,000 in 1932 in a tax bill, and the manufacturers' excise tax, with necessities of life exempted, was proposed. I joined in it. In fact, I think I was one of those—if I did not propose it, I was one of those who voted for it in the committee and later, a year or two later, I offered it as an amendment to the tax bill, from the floor.

Mr. BREWSTER. I am very glad to know that you were proposing that in addition to the manufacturers' excise tax.

PROTECT VETERANS

Mr. MCCORMACK. Did you intend, if this bill became law, that any payments that the Government is now making to different groups should be wiped out?

Mr. BREWSTER. I left in my suggested balanced budget the $113,000,000 for the other titles of social security, for the children and for the widows, and so on; and I also left $1,000,000,000 temporarily for relief purposes which I hope would be quickly eliminated.

Mr. MCCORMACK. What do you think about the veterans?

Mr. BREWSTER. I left the veterans exactly as they are.

Mr. MCCORMACK. Do you think the veteran who has been disabled overseas and who is getting anywhere from $10 or $11 a month up to over $100 a month according to the degree of service connection of his disability, and according to the degree of his disability, will be satisfied with this bill? What do you think his reaction should be?

Mr. BREWSTER. In the budget which I have suggested I left the $539,000,000 which is at present appropriated for the veterans, exactly as it was.

Mr. MCCORMACK. Do you think they would be satisfied?

Mr. BREWSTER. You bring to my mind an item which I neglected to speak of in my original statement. One of the considerations which seems to me most persuasive in this thing is that, looking ahead for the next 10 or 15 years at this problem, we have 4,000,000 veterans and their dependents; and after the experience of our last great crisis, if that experience is repeated, we are going to have an enormous increase in this pension situation. Now, if we adopt a universal system such as this, it will largely eliminate what I think everyone recognizes is otherwise likely to occur, some universal system of pensions for the veterans in their declining years.

If we put everybody on that basis—and, after all, I think it is now recognized that war is totalitarian, that everybody sacrifices and contributes—if we pension everybody in this way, we are going to have a saving of $500,000,000 to $1,000,000,000 a year on our pension bill eventually.

Mr. MCCORMACK. Do you favor that with the passage of this bill the World War veterans and the Spanish War veterans be subject to the provisions of it?

Mr. BREWSTER. That situation will not arise for 10 to 20 years. That is what I stated.

Mr. MCCORMACK. The situation is here now, Governor, so far as the World War veterans are concerned.

Mr. BREWSTER. In my budget I provided for the veteran exactly as he is provided for now. I did not cut down his allotment at all in balancing the Budget. I did not take it out of the hide of the veteran as this administration the first year started to do. I do not know whether the gentleman voted for the Economy Act or not, but certainly they took it out of the veteran.

Mr. MCCORMACK. The gentleman from Massachusetts [Mr. MCCORMACK] for the information of the gentleman from Maine [Mr. BREWSTER] will advise him that he voted against the Economy Act.

Mr. BREWSTER. I am with you, then, on the veterans. But you did not have sufficient company on your side of the House.

Mr. MCCORMACK. I want to understand your frame of mind. You will agree that is the subject of inquiry. Do you intend ultimately that the veterans should receive the pension that is proposed in this bill?

Mr. BREWSTER. What I said earlier was that it seems to me that this universal pension is going to save this country tremendously when the veterans of the late war get to the pensionable age. We are going to take care of them anyway; you know that. Historically, we have always done so. And if we have the provisions of this act in operation, they will certainly be on an equality with everybody else. Whether they will continue to be distinguished—certainly the men who were disabled as a result of war service would be distinguished; they would not ever be penalized because of their war service or disabilities—but whether the veterans as a whole—and you realize that that is the more serious problem; that is, the question of the disabled veterans as the result of war service is a limited group, but the 4,000,000 veterans who are aproaching the retirement age is the same sort of problem that we faced after the period of 1860.

Mr. MCCORMACK. You realize that some World War veterans now receive a pension, do you not?

Mr. BREWSTER. Indeed I do.

Mr. MCCORMACK. That is, a man who is totally and permanently disabled and whose condition is not service-connected, may be getting $30 a month or as high as $40 a month? What about that class of cases? Do you think they should continue the present pension that they are getting?

Mr. BREWSTER. I think whatever adjustments are necessary to save them from any prejudicial effect would be entirely warranted. Certainly I would not penalize the veteran. I think the gentleman perhaps exaggerates the possible effect on the cost.

BLIND PENSIONS

Mr. McCORMACK. We also provided for the care of the blind. Do you not think that they ought to receive the benefits of this bill?

Mr. BREWSTER. Yes, sir; my proposal left them provided for.

Mr. McCORMACK. Also for dependent children.

Mr. BREWSJER. One hundred and thirteen million dollars is the amount for the dependent children and the blind and other titles in the bill.

Mr. McCORMACK. They should receive whatever they are receiving?

Mr. BREWSTER. That is right.

Mr. McCORMACK. They should come within the purview of this bill?

Mr. BREWSTER. That is right. There again I thank the gentleman for the suggestion, because——

Mr. McCORMACK. It was not a suggestion, I was just asking you the question.

Mr. BREWSTER. I thank the gentleman for suggesting to my mind that in connection with the blind there will also be an ultimate saving. That is, all of the blind who are of the provided age which we are taking care of now—of course, there would not be a duplication there, and therefore there would be further savings as a result of the universal old-age plan. It would not affect the balance, I assume.

Mr. McCORMACK. Are there any other Federal expenditures that you think would be saved by the passage of this bill? What about the farmer? Do you think we ought to include the farmer?

Mr. BREWSTER. Yes. I thank the gentleman again. Ultimately your farmer over the provided age—and up in our country we have a great many of them who are over the age limits provided, who are now receiving some benefits from the Triple A payments; if we are going to retire them from production, that will contribute to the balancing of our production through the elimination of their contributions to the markets.

Mr. McCORMACK. What about the farmer who has not reached the age limit, but who is receiving payments from the Government? Do you not think he would have some thought as to whether he should not receive $125 to $200 a month, whatever the amount is?

Mr. BREWSTER. I have felt that both the veteran, who has shown his patriotic and unselfish interest by being willing to sacrifice his life, and most other elements of our population, would to some extent be ready to recognize a common patriotic concern, and if it did adversely affect one or another individual, there would be that willingness to contribute which is characteristic of America in times of crisis. And I think we are in a crisis.

MOTHER'S AID

Mr. McCORMACK. What about the mother who has dependent children? Do you not think she should receive $200 a month, or whatever it is—$125 to $200 a month, whatever were the pension paid?

Mr. BREWSTER. We now have a plan to provide for mothers with dependent children. Of course, that is a constantly changing problem. They are now provided for under the Social Security Act and under the laws of most of our States.

Mr. McCORMACK. Would you leave them as they are, or where they are?

Mr. BREWSTER. If my proposal——

Mr. McCORMACK. Do you believe that they should stay there if this bill passes? Do you think they should stay there?

Mr. BREWSTER. I would be glad to see utopia on this earth and all of these delicate social problems readjusted. But I cannot undertake to do it all at once. I think we must take one step at a time.

Mr. McCORMACK. Do you not think that they might contend that they should come within the purview of this bill?

Mr. BREWSTER. I will not say what they might contend. I say simply I would not take away what they are getting, but I had not contemplated additional provision. But if the gentleman wants to advocate that, there is no objection that I can see.

Mr. McCORMACK. You are quite astute when you say that, but please do not try to put in my mouth those words, because I am asking you the questions. You are the witness. Do you believe they should stay the way they are at the present time?

Mr. BREWSTER. At the present time I am not proposing any change there. I am leaving them alone. But I do not say that some change would not be wise.

CHANGES IN BILL

Mr. DISNEY. Then do I understand you are here before us advocating the passage of H. R. 2 as it is now written?

Mr. BREWSTER. I shall be ready to vote for that if we cannot evolve something better. I want to get the benefit of this committee's studies, and anything else, but I stand for the direct tax universally distributed. And I understand this committee stood for that in 1932.

Mr. DISNEY. Did you propose anything better in your statement? I did not have the benefit of hearing all of it.

Mr. BREWSTER. I did not go into the details of the tax law, because, as I said, that is a matter for tax experts.

Mr. DISNEY. Then you are for H. R. 2?

Mr. BREWSTER. I said that I stand ready to vote for that if something better could not be shown me. If you can show that there are difficulties with that, or amendments to that that will in any degree improve it, I shall be happy to consider them. But up to this time we have had to spend all of our time getting to this august tribunal, and we have not been able to spend very much time on anything else. I think if we will get down to the point where we are going to consider type and character of legislation, if the gentleman stands on the principle enunciated by the committee in 1932, which was for a manufacturers' excise tax, this seems to be just a logical evolution of that position in favor of direct taxation. And I think it is the only way our economic difficulties are ever going to be solved. I hope the gentleman will eventually come to that position, if he is not already there.

VETERANS UNTOUCHED

Mr. BUCK. Then it would be your belief that the Spanish War veterans—and I take it that you would apply this also to the railroad men who are entitled to railroad retirement pensions that might be smaller than the old-age assistance pension; they would be included in the bill, as well as Government employees who are entitled to annuities— you would bring all of those under H. R. 2 payments, would you not?

Mr. BREWSTER. As far as I have gone I would not take away from anyone an earned pension. That would apply to your Government employees. As to the veterans, I had not given further thought to that. I was thinking of the group which is going to come into being in 15 or 20 years. I think, as far as existing groups are concerned, I would not take away from them anything which they now have. I would give them the old-age allowance in addition.

Mr. BUCK. You would give them the old-age allowance in addition to any pension or annuity that they may be entitled to under existing law?

Mr. BREWSTER. That is what I have got in my budget.

Mr. BUCK. That is what you have in your budget?

Mr. BREWSTER. That is right; in the budget. Of course, they are a comparatively small factor. It would not greatly affect the total.

Mr. BUCK. That is all.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. SHORT].

Mr. SHORT. Mr. Chairman, at this particular moment I feel very much as did Hamlet when he said:

> O! that this too, too solid flesh would melt,
> Thaw, and resolve itself into a dew.

And again when he uttered:

> The time is out of joint; O cursed spite,
> That ever I was born to set it right.

No Member of this body relishes or cherishes being placed on a spot politically; but the issue before us at this moment is one that must be met by each and every Member of this House, I hope, conscientiously and courageously.

Mr. Chairman, the author of this particular bill now under consideration is unknown. It is an illegitimate child, conceived in ignorance, born in obscurity, and destined for oblivion. [Applause.] The injustices and inequities contained in it, and the ambiguous verbiage, would require all the lawyers of Philadelphia to comprehend and would require stationing a policeman in every home in this country to carry out. How in the name of common sense are we to know that some old person drawing $200 a month pension does not secretly slip $10 or $20 to a son, daughter, or grandchild? Yet, should he do this, he is subjected to severe penalties, including both fine and imprisonment.

This bill taxes the very purchasing power that is essential in order to have economic recovery in this country, and it taxes you from the cradle to the grave, from the time you jump out of bed and use your tooth paste in the morning until you pull on your cotton pajamas at night. It taxes the producer one-half of 1 percent, it taxes the manufacturer one-half of 1 percent, it taxes the wholesaler and the jobber one-half of 1 percent, and then it taxes the retailer 2 percent. This tax is so pyramided that if this bill is enacted into law the American dollar will not buy 50 cents worth of goods. The farmer who exchanges a bushel of potatoes for a sack of meal is taxed just as every little merchant who will be driven out of business.

It taxes everybody in this country who earns $50 a month or more. This tax is essentially a sales tax that is blanketed upon the American people, and how in the name of God you are going to have a return of prosperity or increase the purchasing power of the masses of the laboring people of this country by taking $2 out of the pocket of John Smith, who works and toils and labors, and putting it into the pocket of Bill Jones, who is 60 years of age or more, is more than I can comprehend. You do not increase wealth, you simply rob

Peter to pay Paul. [Applause.] Wait until you hear from organized labor on this measure.

Why, this bill is not the Townsend bill as originally introduced, if I understand the history of this legislation. Dr. Townsend finished his discussion and his testimony before the powerful Committee on Ways and Means on February 17 and said that on the following day he would bring in certain necessary amendments in order to improve the legislation. Three months passed by without those amendments ever being offered. On May 17 our good friend from Florida, Mr. HENDRICKS, did introduce a bill that included the amendments submitted by Dr. Townsend, and that was H. R. 6738. Now they have brought in this monstrosity, H. R. 6466, under an airtight, ironclad, unprecedented gag rule, and they tell the Members of this House, all of us who I believe want to help the old people as much as we can, that we have to blindly close our eyes, gullibly open our mouths, and swallow hook, line, and sinker all of this nauseating and indigestible measure without crossing a "t" or dotting an "i."

Mr. COOPER rose.

Mr. SHORT. I ask you, my comrades, since when has any one man in this country, be he Dr. Townsend or anyone else—and I do not want to speak disparagingly of him—been given the power to hold a club over the heads of Members of Congress and say, "Here, you take this bill just as I have given it to you"? I predict here that the ones who swallow it will run themselves to death answering the calls of nature in the days to come. [Laughter and applause.]

Now, with pleasure I yield.

Mr. COOPER. Mr. Chairman, having such a high regard for the gentleman's splendid ability of analysis, I just ask him if he has given his special attention to the paragraph on page 6, beginning in line 6, as follows.

Throughout the act the present tense includes the past and future tenses; and the future, the present. The masculine gender includes the feminine and neuter.

[Laughter.]

Mr. SHORT. Yes; I say to the gentleman that I have given it most careful consideration, but I doubt that 25 percent of the membership of this House has read this bill, yet alone made any serious attempt to analyze and attempt to understand it.

The paragraph continues:

The singular number includes the plural and the plural the singular. "Shall" means "must" and is mandatory. "May" is "permissive."

Then it goes on to state that—

All terms used in the act shall receive a liberal construction with a view toward effectuating the objects of the act and promoting justice.

Mr. HENDRICKS and Mr. WHITE of Idaho rose.

Mr. SHORT. I am sorry, I have another thing or two I would like to say.

I will tell you what you are going to do when you pass this bill. You are going to throw a million and a half more Americans who are now employed out of work, and there will not be a stockbroker or a real-estate man who can function or stay in business for a week because he will have to pay a 2-percent tax on the gross value of every transaction that is made.

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

Mr. SHORT. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. As a matter of fact, Dr. Townsend admitted at the hearings that it would destroy the small and the independent business of this country, which, as we know, employs from eight to ten million workers.

Mr. SHORT. Of course, this tax will not only set up a monopoly but will squeeze the little man out of existence. National banks are exempted from this tax but State banks are not exempted, and they will not be able to keep open long. All your mortgage associations and your own agencies likewise will be taxed out of existence. Chambers of commerce are exempted but labor organizations are not exempted. The huge amounts that are received in gifts or inheritances or life-insurance policies are exempted. If you attend a ball game or a prize fight or a movie or some other place of amusement you can, of course, escape the tax if you will save the stub and make the return in sufficient time.

Listen to the severe penalties under this measure. Oh, you cannot discuss it in the limited, brief time that has been granted us. If any employee or any person willfully or knowingly, indirectly or directly, does not make a return within the limited time prescribed he is subject to $1,000 fine and imprisonment for the first offense and is subject to $20,000 fine and 5 years' imprisonment for all subsequent offenses.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield to a supporter of the measure?

Mr. SHORT. No; I refuse to yield.

Mr. WHITE of Idaho. The gentleman yields to the opponents but not the supporters of the measure.

Mr. SHORT. Mr. Chairman, the thing that I regret is that during the past 6 months we have been so profligate and so foolish in vast expenditures of Government money that we have created a psychological atmosphere; we have tilled the soil in this country with such crackpot schemes and allowed them to grow and flourish that this has threatened to destroy honest and conscientious legislation.

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

Mr. SHORT. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. The gentleman is so well versed in the English language, will he offer me an explanation of section 15, on page 25, which states under (c):

It shall be a misdemeanor for any annuitant to unreasonably and unnecessarily maintain any able-bodied person in idleness, or any person in drunkenness or gambling.

[Laughter.]

Will the gentleman explain that?

Mr. SHORT. Not being so well versed in all those virtues [laughter], I cannot.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. SHORT. I am deeply grateful to the ranking member of the Ways and Means Committee for his unbounded generosity, and I regret that I cannot give a categorical reply to his inquiry. Since he has been so generous as to give me 5 additional minutes, I want to say a word or two about the wonderful Ways and Means Committee on which he serves. [Laughter.]

I am very loath and reluctant to criticize any committee of this House, and, certainly, I have nothing but the highest regard, in fact, personal affection, for the distinguished and able gentlemen who comprise the powerful Ways and Means Committee, just as I have for those other able gentlemen who are on the Rules Committee, but let me say here and now that if you would take the combined intelligence that all the Members on both of those committees have shown in reporting this measure and the rule under which it is being considered and poured that combined intelligence into a crucible you would have almost a half-wit. [Laughter.]

If that sounds a bit harsh, again I must say that I must be cruel only to be kind.

Seriously, gentlemen, you have made it impossible for us who believe in a reasonable and adequate old-age pension; and let me remind you that one of the New Deal measures I voted for, and about the only one I can recall, was the Social Security Act, and I did it reluctantly; in fact, it caused me to vomit later. However, I did it in the hope of extending some help to the old people and the crippled, as well as the children of this country, orphaned and unable to take care of themselves. I voted for social security because I believed with you gentlemen in a reasonable and adequate old-age pension. I have never pledged myself to the Townsend plan. I have never come out against it.

Mr. Chairman, under leave to extend my remarks, I include a letter which I recently have written to a constituent:

WASHINGTON, D. C., *May 26, 1939.*

Mr. WILIAM M. BOYLAN,
530 East Highland Avenue, Carthage, Mo.

MY DEAR MR. BOYLAN: I have your card of the 24th instant, written in behalf of the bill H. R. 2, which is the Townsend plan bill. It is my understanding that this bill has been changed and a new one introduced containing the amended features, and it now bears the number H. R. 6466. The bill H. R. 6466 has been reported by the House Ways and Means Committee without recommendation, and the Rules Committee has granted a special rule for its consideration on next Wednesday, May 31. I have not yet had an opportunity to see a copy of this new bill.

However, as you may know, I have never pledged myself to vote for legislation embodying the Townsend plan, because I never have, and never will, pledge myself to support or oppose a bill for political reasons until the legislation comes before Congress in the form in which I shall have an opportunity to vote on it. However, I signed the petition on H. R. 4199 last session, as well as the letter to the Speaker, and I assume that it was because of this that the Townsend national organization voluntarily endorsed me in 1938. As you doubtless know, our district Townsend organization endorsed my Democratic opponent in the 1936 election.

I am anxious that the plan have full and fair discussion and consideration, and when it is before the House next week I shall bear in mind your views. Meanwhile, I shall get hold of a copy of the new bill and study it very carefully. I appreciate the support which some members of the various Townsend Clubs in the district gave me, but I have consistently stated that whether or not I had Townsend support in an election, I would and could promise, as I would promise concerning any other proposed legislation in which my constituents were interested, to endeavor to secure consideration of it, and to exercise my best judgment when it came to a vote. I want to be entirely honest about the matter, and this is the only honest promise any legislator should make.

With all good wishes, I am
Sincerely yours,

DEWEY SHORT, M. C.

I cannot comprehend how any Member of this body feels that he is pledged to this particular bill, since it is a new measure, a combination of H. R. 2, the General Welfare Act, and another measure, which was presented to the Ways and Means Committee only 2 days before the bill was reported without recommendation. However, Mr. Chairman, if any Member of this body has pledged himself in advance to such a proposal, all I can say is, "Father, forgive him, for he knows not what he has done." And I might add, "Neither do I condemn you; go and sin no more."

I have many clubs in my district, and let me say that they endorsed my opponent and fought me 4 years ago. They supported me 2 years ago, and I suppose it was because I signed a petition to discharge the Ways and Means Committee and to bring that bill on the floor of the House for discussion; and I also signed the letter addressed to the Speaker in order that the American Congress and the American people could consider, under an open rule and in a fair and impartial and unprejudiced and strictly nonpartisan manner, the question of old-age pensions. I suppose that is the reason the Townsendites endorsed me and most of them voted for me 2 years ago, although they voted for my opponent 4 years ago. They are powerful in my district, and I know I may be cutting my own throat here politically, but if I never come back to this Chamber, I want you gentlemen to remember one thing that Martin Luther once uttered. He made this statement:

To act contrary to conscience is neither safe nor upright.

Mr. Chairman, this bill, it seems to me, rises above mere partisanship, and there should be no difference of opinion. As far as Republicans and Democrats in this House are concerned, I believe we have as much of the milk of human kindness in us as some of those others who are always posing as humanitarians, and perhaps some of us who do not speak often and so loudly for the old people give more out of our individual pockets than some of the loud speakers do. This bill is bad, and the rule under which it is considered worse. I voted against the previous question and I voted against the rule, and I am going to vote for a motion to recommit, which will be offered from our side, I trust.

In case that motion is defeated, I shall vote against the passage of this particular bill.

If the Ways and Means Committee would bring in a bill providing for a pension of $50 per month to every worthy person 60 years of age or over on a pay-as-you-go basis, I would be only too happy to support such a measure. The way the old people of this country have been deceived and kicked around by the professional pension racketeers and this administration is positively disgraceful. There will not be a dozen honest votes cast for this measure. Many Members on both sides of the aisle have told me that it was bad and should not be passed, and that they were voting for it only because they felt sure it would not be passed; and even should it pass the House, it would be killed in the Senate. Mr. Chairman, I cannot stultify my conscience nor resort to such a low political expediency when all kinds of morality, public, private, and political, is flowing at such a low ebb today in our national life. Such conduct is wicked and cruel. What should be done is to bring out a bill that will direct us to pay a reasonable, adequate pension to the old people of this country, and also to include helpless cripples. I have a good friend in my district, in my home town, just 2 or 3 years older than myself, with both legs off just below the hips. That man is as helpless as any old person 60 years or more, and just as much in need of assistance, and why, in the name of God, can we not write a bill in this House instead of giving the old people a run-around? You fellows who think you are taking the opponents of this bill and putting them on the spot have another think coming. I stand here today to say that the real, genuine friends of the old people of this country, who believe in paying them a pension which this Government can stand, are the real friends of the aged when they vote against this monstrous measure and will vote to bring about one that will work instead of bankrupting the Nation. [Applause.]

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

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. HULL].

Mr. HULL. Mr. Chairman, in our own State of Wisconsin there was a well-defined interest in the old-age pension movement before the Townsend movement came into being, and before the enactment of the social-security law. Wisconsin, in fact, was among the first of the States to provide an optional form for such pensions which was put into force in several of the industrial counties. It was hoped by many when the social-security law was enacted that it might so operate as to a large part meet the demand for proper assistance for the old folks.

The widespread growth of the Townsend movement in our State clearly indicates that the social-security law has not worked out as was generally anticipated. The Townsend sentiment there is not confined to those who would be early beneficiaries under the plan. In fact, the membership is probably very largely drawn from the people who are in sympathy with a national old-age pension act who may not become direct beneficiaries for many years to come. The recovery feature of the measure appeals to thousands of people who have watched Government experiments fail in an attempt to drive away the depression and restore prosperity. They believe that the distribution of a national income in such form that millions now unable to buy and to consume will become buyers and consumers if that distribution were provided. The very deplorable situation in the dairy regions of the Northwest which is forcing thousands of farmers from their farms into villages and cities, many of them to seek positions in Government emergency activities, is lending no small influence to the increased demand for an old-age pension act which will at once assist those in advanced years and which will contribute to the general welfare of all.

One objection to the Social Security Act, especially in counties where real-estate values have fallen to a low level, and the matter of local taxation is of growing importance, is the fact that States and counties are obliged to provide one-half of the fund set aside for old-age pensions. The reduction in assessment values and of income-tax returns

has been so great that both the State and its subdivisions have met with a great loss of revenues which is bothering our people in finding a solution for the growing tax problem. Twenty percent of the amount of old-age pensions is now provided by counties, and 30 percent by the State. Coupled with the demand for proper old-age assistance is that of State and local taxpayers that the Federal Government shall assume the entire cost of an old-age pension system.

There is no reason to believe that the demands of the people of our own State, or those of other States, will become less until the situation is squarely met by the Federal Government. The change of conditions of recent years which has taken away all hope of security for millions of people in their old age is a moving force which Congress must reckon with. Farm incomes and farm values have been so reduced that even those more fortunate in farming operations can look forward to no accumulation of their own capital which would permit them in their advanced years to retire from their usual activities. Many who in previous times believed that a lifetime of earnest toil and thrift would earn them a competency for such retirement now are in despair of any such accomplishment. The farmer who started out as a hired hand, or as a farm tenant, could and would make sufficient progress in previous years to acquire a comfortable homestead, rear a family, and provide the members with the comforts common to those of his community, and as age came on had a property which he could rent or dispose of. The retired farmers were numerous in villages and smaller cities, living comfortably on what they had been able to save and accumulate. That situation has largely disappeared with new conditions. Farms no longer yield that comfortable living for millions of farmers. The farmer's percentage of the national income has continued to decline and is now less than ever before. The values of farms have become so low and foreclosures so numerous that millions of farms cannot now be sold for one-half the cost of their improvements.

This present measure, commonly referred to as the Townsend bill, provides for a tax of one-half percent upon farmers, producers, and manufacturers, and 2 percent upon retailers and other lines. The funds would be prorated among those who are eligible for old-age assistance. It embodies the essential features of a national old-age pension act. It should receive the endorsement of this Congress and should be passed by the House upon this occasion. Undoubtedly faults and imperfections may be found in the measure and in the plan by its opponents. That is always the case in every form of legislation. It was true of the enactment of the social-security law, to which numerous important amendments are now pending. Such criticism, however, should not be an obstacle to the adoption of a plan which provides so much for the benefit of the old folks of the country and all others as well. Now is the time for action. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. DOWELL].

Mr. DOWELL. Mr. Chairman, I shall vote for this bill. In addition to the large number of elderly persons who will be benefited directly under the pending bill, it will furnish an opportunity for employment to a large number of the 10,000,000 or more persons now out of employment.

I have received many thousand petitions and letters from citizens and residents of the district I have the honor to represent, asking and urging the passage of this legislation.

Mr. DOUGHTON. Mr. Chairman, I yield 7 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, it is impossible to discuss a measure of as far-reaching consequences to the American people and as important as this bill is in the brief period of 7 minutes' time, and I shall hope only to be able to point to what I think are a few salient facts that should be borne in mind in connection with the consideration of this measure. I am duly mindful of the political consequences that may be involved for some persons with respect to this measure, but as was so well indicated by the distinguished gentleman from Missouri [Mr. SHORT], it is time for us to be frank and honest with the American people when we have measures of this kind creating so much fervor and emotion among a considerable number of our people. We have this practical situation to face here today. Throughout the last several years the old people of this country have been deceived and misled with respect to this measure. They have been told all along that they would receive a pension of $200 a month. It is cruel when we think about the way the deception has been practiced upon these people, and we know that they are called upon to contribute their nickels and dimes and quarters to this movement, when many of them need that money to buy something to eat and clothes to wear. As was shown by the evidence presented to the Bell investigating committee, the Townsend movement was conceived and started as a money-making venture, and I invite your attention to the Bell committee report. On page 54 of that report you will see the findings of this committee and these four items appear on the bottom of page 54 of that report:

First. Dr. Townsend created the Townsend movement for "cold cash."

That was the deliberate judgment and report of this special committee appointed by this House to investigate this movement and that is their finding and report to this House.

Second. Dr. Townsend was aware that the collections would not last over 2 years.

Third. Dr. Townsend employed promoters to promote the Townsend movement for financial gain.

Fourth. Dr. Townsend made the statement that there would be a "hatful" of money for those who stayed with the movement.

These are the findings of a responsible and distinguished committee of this House appointed by the House to investigate this movement. Dr. Townsend stated to the Ways and Means Committee during the hearings conducted during this session that he has taken in about $3,000,000 during the life of his movement. Other people who should be in a position to know something about it have stated that he has received a great deal more than that, some of them estimating as high as five and one-half million dollars.

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

Mr. COOPER. I yield.

Mr. BUCK. What about the letter that Dr. Townsend admitted that he wrote, which is contained on page 638 of the hearings:

Mr. DUNCAN. Doctor, I have a paper before me which purports to quote a letter written by you.

"I want a man who knows the King's English and who can play on the heartstrings," wrote Dr. Townsend on April 27, 1937, from California to branches in Chicago. "Weismer and Webb have both proven themselves organizers, but neither of them is the man I want as solicitor for funds. They lack the dignity and culture that should go with the function," wrote Dr. Townsend in this letter. "Polish, combined with a convincing logic, is required to loosen the purse strings. I haven't found the man I want for this job. So far I have been making just a short statement for the purpose of our tour and then turning the "mike" over to Webb to make an appeal for funds. He is crude and takes up too much time in getting to his point."

Is that your letter, Doctor?

Dr. TOWNSEND. I think I wrote that. What is the purpose in introducing that?

Mr. DUNCAN. I just wanted to show the activities of the organization in getting the quarters and dimes.

Mr. COOPER. Thorough hearings have been held on this proposed Townsend plan on two different occasions. In 1935 thorough and complete hearings were held, and again this year a full and complete opportunity was given to everybody to appear. Dr. Townsend stated he was entirely satisfied with the hearings. It was clearly shown, as convincingly as anything I ever witnessed in my life, that this proposed Townsend plan is absolutely unsound and unworkable. A dozen of the leading economists of this Nation came in and testified that it was absolutely unsound and unworkable. I wish I had time to quote from all of them, but they appear in the hearings, and it will be interesting for all of you to read the statements that they gave.

I do want to invite your attention in passing to this statement made by Dr. Moulton, president of the Brookings Institution. This is what he said:

Two percent on transactions sounds like an innocent enough tax rate, but, if applied as intended, it would really mean a tax that would absorb from 25 to 30 percent of the total national income.

I think the point that I want to emphasize most in connection with this is the magnitude of the expectations held forth to old people. Even though the figure of $2,400 is not a provision of the act, that is the figure that is in the minds of the people. That is the way it has been sold to the country. The point is this: That $2,400 a year for each person, for 10,000,000 people, roughly speaking, means $24,000,000,000 of additional taxes.

Of course, that is absolutely fantastic on the face of it. The total revenues, with all of the tax machinery that we have—Federal, State, and local—is $12,000,000,000. This is double that total. It is an impossibility. It would wreck the economic system if you undertook to collect such a tax.

[Here the gavel fell.]

Mr. DOUGHTON. I yield the gentleman 1 additional minute.

Mr. COOPER. Mr. Chairman, that is characteristic of the evidence given us by all of the economists who came before us. Many business institutions would be destroyed by the passage of this bill. Agriculture would be very seriously and adversely affected. Labor would be seriously and adversely affected. The consumer would be seriously affected. It has been estimated a loaf of bread now costing 10 cents would cost 50 cents, and a cotton shirt now costing $1 would cost $5.

Just one other point, if I may. Consider the unfair application of the Townsend plan. For instance, a widow 45 years of age, with 6 children, left destitute, would get nothing at all, while one man, 60 years of age, strong and able-bodied, willing and able to work and now working every day, would get $200 a month. Such a proposition as that cannot be defended on any ground as fair, just, or reasonable to the American people. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. BURDICK. Mr. Chairman, I realize that there is little I can say in 3 minutes on this important measure. I realize, too, that with the limited time allowed in this debate by the Rules Committee that I have been as justly treated on the question of time as anyone could expect. About all I can do is to call attention to the speech which I will insert in the RECORD at this point.

I do not hold seven college degrees, as does the gentleman from Missouri [Mr. SHORT], but, in my judgment, the possession of college degrees does not give the holder the license and right to indulge in outright vulgarity in the greatest deliberative body in the world, as the gentleman from Missouri did a moment ago. If his speech is printed as he delivered it, the full significance of what I say will be observed. [Applause.]

This is a time to keep our feet on the ground and meet the responsibilities resting upon us without sidestepping the issues by the profuse use of mixed metaphors and well-sounding but meaningless adjectives. This is a serious day in the Nation's history. It is serious to the millions who are in distress; it is serious to the millions who love this country and want to perpetuate it. [Applause.]

The fact that this country is in distress I need not mention, because we all admit it. We are worse off now than when I came here 5 years ago. What can be done? That should be our answer. In my judgment, viewing this matter calmly, regardless of what action we may take on our vote tomorrow, there are two things wrong in this country that will keep on making conditions worse until the Republic itself disappears in oblivion. First, we must get control of the Nation's money and credit and use it for all the people and prevent private interests from using it for their own profit. That is No. 1.

No. 2 is that having gained possession of the use of our money and credit, we must see that that money and credit circulates.

I call your attention to the bank statements of America today. Every bank is full of money, and no money is available. It means that the banking institutions of this country, using the United States money and credit and having nothing to sell to the American people, have control of us absolutely. This is the only bill before the Congress so far that compels the circulation of money month after month. Unless we face this situation, and we cannot stop it by ridicule, unless we are willing to face the facts as they are and apply this remedy of control of our money and of mandatory circulation——

[Here the gavel fell.]

Mr. BURDICK. Read the rest of my speech in the RECORD. [Applause.]

Mr. Chairman, it is unnecessary for me to recount the general condition of the country, except to say that unemployment haunts us; foreclosures on farms, tax deeds, and voluntary debt surrender has driven out of existence 2,000,000 farm homes since 1930; city foreclosures during the last 4 years are proceeding at a more rapid rate than did the farms; our public debt is the largest in history; it is estimated that over 60,000,000 people in the United States are in some form of distress. When we add to these conditions the fact that in this one session we have appropriated two and one-quarter billion dollars for war purposes, when there is no war in sight and cannot be if we attend to our own business, we can indeed say that the people in this country are in a sad plight.

In short, What have we done in this country as a Government that can be said to be responsible for this condition? Our natural resources are still unimpaired; there is more than a plenty for all our people and 100,000,000 more people.

It is my purpose in these precious minutes to tell this House and the country at large what has brought about this sad situation and this intense suffering among our citizens. I do not refer to contributing causes, but only to the approximate cause—that cause without which the present condition of the country would not be present. The approximate cause is our failure as a nation to stop the growth of a moneyed aristocracy in this country which defies all Government agencies, including this Congress. The prophetic words of Lincoln have come true. After he was forced by the necessity of securing finances for the prosecution of the Civil War, to grant to national banks the power to issue money, he said:

Yes, we may congratulate ourselves that this cruel war is nearing the close, but I see in the future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war corporations have been enthroned, and an era of corruption in high places will follow and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before in the midst of war.

This system with free Government money and credit turned over to private operators, who in turn sell it to the American people through nefarious contracts of interest, our free Government is all but consumed under the load of interest, and the people themselves are fast succumbing to the system. We cannot enroll enough Members of Congress who are either independent or are not afraid of the next election to put a stop to this business. Many good men in this Congress see the situation clearly, but their constituency objects to any change, and properly speaking, these Congressmen should endeavor to carry out the wishes of the voters who sent them here. I have never charged that the fault lies entirely with Congress—it lies with the people of the United States. Just how long the money power will keep them hoodwinked or fed up with favors which only the power of credit can give, I do not know. But I assert, as a statement of principle that this Congress should immediately and without any unnecessary delay assert its control over the Nation's money and credit

and prevent any individual or corporation from selling our credit to the American people under an unjust and immoral practice of usury.

Secondly, having again taken control of our money and credit to be used for all of the people; having stamped out the practice of special privilege granted to private interest to loot the Government and the people, our next step will be to make sure that what money there is in circulation actually circulates. Our condition would be infinitely better, even under the system of private control of Government credit, if the money actually in existence circulated among the people. At the present time we have an example of just what it means to have stagnant money. You can examine most any bank statement in the country and you will find the bank loaded down with money, but none available for legitimate business. The farmer and the city home owner has been shut off from the use of money for years past, but it is only of late that the businessmen of the country have met the same fate. Thousands of small-business men today and some who could qualify as big business are in danger of losing the business unless they can have access to money at nominal rates. Some businessmen have told the story of paying 35 percent for the use of money. How long will it take under these circumstances to make the whole business life of the Nation as dead as Tutankhamen after his sleep of 4,000 years?

The money of the Nation must circulate. It does not now—at least not fast enough to aid the people who need it in the business of exchange. This bill will do it. I do not know how much revenue this bill will bring in, but it is estimated that probably the annual income from the taxes proposed will yield a sum not in excess of $6,000,000,000, or $500,000,000 per month. Assuming that 7,000,000 of the citizens of the United States over the age of 60 would apply for and be qualified to receive the annuity, each individual would receive monthly approximately $70. This calculation is based on the present state of the national income, which is much below normal. Should the national income increase, as it will under the operation of the act, the annuity for the second year might well run up close to $100 a month.

It will be some time before a full quota of 7,000,000 will qualify for this annuity, if indeed that many ever do. First, the qualification of citizenship must be met, and in addition to that each applicant must have been a citizen at least 5 years preceding his application. At any rate, the monthly estimate of $70 may be much more, depending upon how fast applicants qualify.

Should business revive under this plan of operation, the limit of $200 per month to any individual is placed in this bill; and if the revenue raised is more than enough, it is expended for a good purpose under the terms of this bill. First, the national debt shall be paid; and finally, when that has been completed, the further revenues shall be converted into the general fund of the Government.

I am fully aware of the attacks to be made upon this act by those opposed to it. They propose to kill it by ridicule and, if that works sufficiently well, to offer a motion to recommit the bill to the Committee on Ways and Means, with or without instructions. They may provide in the motion to recommit that the enacting clause be stricken out, or provide for some other death-stinging maneuver, but the fact is such a motion will be offered. If the motion to recommit carries, that ends the matter; and it will provide a political escape ladder for many Congressmen who are pledged to vote for this bill, but they do not want to appear ridiculous before this august body, whose leaders are determined to make this bill ridiculous. There will be, in my judgment, no vote directly on this Townsend bill. The motion to recommit will kill all chances for a direct vote. Those who have wavered in their loyalty to the people on this question can then truly say, "I did not vote against the bill; I would have voted for it if given a chance." That kind of argument is all phoney.

I caution the Townsendites to look up the RECORD on this vote and they will probably find that the Congressman who said, "I didn't vote against the bill; I would have voted for it if given a chance," did in fact vote to recommit the bill. He can also offer a plausible argument if the motion to recommit is not too brazen. He can say that there were just a few features in the bill which he wanted corrected and of course, in order to do so, he had to vote to send the bill back to the committee. You might say then, "Why did you not offer your amendment on the floor?" That has all been fixed beforehand. This bill came out of the Rules Committee under a closed rule, which in ordinary English means that no amendments are allowed. You see, that takes care of many wavering Members and it was deliberately framed that way to do that identical thing.

The real friends of the Townsend movement in this House will vote "no" on any motion to recommit—they will offer the best that is in them to bring this matter to a direct vote before this House. That is all the people demand. If the bill then fails, the people will find out why it failed and send back in the next election Congressmen who will stand up and be counted.

Logically those who are opposed to this bill have nothing to say. If they were in any court in this country they would not be allowed to speak at all. They would be foreclosed from speaking. The principle of estoppel could be properly raised against them. They have had their day in court, and what a day it has been—it has been not a day but a night of nightmares. With distress all around us attributable directly to those who oppose this bill, we can see the ridiculous light in which the opposition is placed. The Republicans supported the Republican regime in power before this administration, and the Democrats have supported this administration; we have spent billions to put the business of this Nation in order and all has been a failure except the relief proposed by the President and approved by Congress. This was the humanitarian thing to do—it was the right thing to do. But we have offered the people on relief only a little help in the fight to sustain life. We have not reached the real objective of putting money to work at the bottom of the social heap.

It seems to me that if there is any ridicule to be indulged in it should work the best against those "superpatriots" in this House who are responsible for the condition we are in. Where can be found a sane person who does not see the abject ridicule applicable to this Congress for sitting supinely here and letting the money power use our own money and credit to further enslave the American people? Where can be found a sane person who does not in his own heart see the ridicule of appropriating two and one-quarter billion dollars for war purposes when there is no enemy in sight. Yet these superpatriots on both sides of this aisle are responsible for both situations.

Can they be heard now to say this bill will not work? Can they be heard to say they should be followed because they are men of wisdom? What is wisdom, I pray, if their actions in the past 10 years are a demonstration of what they call wisdom? We have followed them, we have listened to them, we have been guided by them—the opponents of this bill—until we are now at a point in our national life when the very foundations of this Republic are in danger. Shall we follow them further and be led over the cliff to national ruin and bankruptcy? No, sir; Mr. Chairman, I am all through following these superpatriots. I am going to follow the people and not these so-called wise men of the East.

I believe in this Government, I believe we have the framework to make this the greatest experiment of government ever dreamed of. We are the protectors of this Government, and I for one mean to protect it. I do not propose to let a band of financial brigands dismember it and cause its collapse; I do not propose to allow a banking system to be perpetuated here which locks up the money of the Nation for its own profit while the people thirst for the mere right of existence. I do not propose to let a band of men in this Congress, who are logical and wise in all things, except the real thing, control this Congress in the interest of special privilege. I mean to fight it out right here; I mean to fight against the insipid and subterranean power which now controls this Government for the money power.

I mean to take control of our money and circulate it and keep it circulating. I mean to bring back new life to this Nation. I mean to rededicate this Nation to the principles upon which it was founded. I mean to bring to every citizen of this Republic the inalienable rights of citizenship—life, liberty, and the pursuit of happiness. I mean to leave nothing undone which I am capable of doing, to pass this bill. It is a good bill; it may not do as much as should be done, but it is a start back to saneness. Time will prove our arguments, and those who stand here today armed with ridicule, invective, and sly, slick parliamentary tactics, will live long enough, I trust, to be the object of the ridicule of a happy, contented, and prosperous Nation—a Nation that guarantees fundamentals to its citizens, a Nation that grants equal opportunities to all and special privilege to none, a Nation that has no hungry men, women, or children in a land of plenty; a Nation that can maintain and defend itself by its own power of right and justice; a Nation that may continue to have the guidance of Divine Power without which no nation can long endure.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. MURRAY].

Mr. MURRAY. Mr. Chairman, at this opportune time I wish to call the attention of the Members of this House to the table that shows the amount of social-security funds obtained from each State and social-security funds distributed to each State. These figures were furnished by the Social Security Board. I am sure every Member prefers to study these figures in connection with the bill—H. R. 6466—now under consideration.

In connection with the pending bill and other so-called Townsend bills, permit me to state that I did not have the Townsend blessing when I got into politics. I do not care to what party a man belongs, he has no business dodging the Townsend people or trying to do anything that would mislead them in any way. He has no right to count on help from the Townsend people if he is not willing to give them help when the time comes to give it to them. I expect to vote accordingly.

The table referred to follows:

States	Expenditures for grants to States for old-age assistance under title 11 of Social Security Act for period covering fiscal year 1938 and July 1, 1938, to Apr. 30, 1939	Receipts from employment taxes under title VIII of Social Security Act for period covering fiscal year 1938 and July 1, 1938, to Apr. 30, 1939
1. Alabama	$1,730,031.96	$6,662,418.47
2. Alaska	289,229.67	(2)
3. Arizona	1,642,800.84	1,631,103.61
4. Arkansas	1,590,205.00	2,575,067.72
5. California	37,781,557.94	57,714,863.26
6. Colorado	10,458,007.08	5,745,733.92
7. Connecticut	4,294,546.29	17,988,434.64
8. Delaware	335,967.45	5,011,724.53
9. District of Columbia	854,974.85	(3)
10. Florida	4,877,015.68	6,310,788.71
11. Georgia	2,711,720.30	8,804,340.53
12. Hawaii	251,893.67	1,839,879.01
13. Idaho	2,195,486.77	1,794,129.27
14. Illinois	26,221,859.66	86,285,438.09
15. Indiana	9,167,795.13	16,964,793.94
16. Iowa	10,104,377.07	8,720,795.44
17. Kansas	3,861,443.89	4,625,845.47
18. Kentucky	3,918,101.36	7,178,654.20
19. Louisiana	3,282,104.45	7,037,105.87
20. Maine	1,851,002.83	3,872,026.19
21. Maryland	3,434,107.19	16,741,822.85
22. Massachusetts	22,433,727.74	41,580,131.32
23. Michigan	13,967,287.05	55,266,031.02
24. Minnesota	14,665,153.63	14,153,298.72
25. Mississippi	1,141,530.12	2,335,470.27
26. Missouri	12,291,328.06	27,785,189.66
27. Montana	2,852,222.85	1,791,535.70
28. Nebraska	4,397,148.63	4,564,455.68
29. Nevada	450,646.54	879,671.85
30. New Hampshire	1,034,454.88	2,606,365.60
31. New Jersey	5,444,367.94	33,887,117.31
32. New Mexico	543,718.64	1,038,140.43
33. New York	27,672,276.64	202,302,195.14
34. North Carolina	2,716,032.24	10,996,988.95
35. North Dakota	1,428,847.17	899,055.69
36. Ohio	$27,709,831.30	$62,240,013.69
37. Oklahoma	10,708,526.31	9,184,651.77
38. Oregon	4,210,195.60	6,212,447.56
39. Pennsylvania	22,363,419.84	89,565,445.82
40. Rhode Island	1,188,823.44	6,692,351.23
41. South Carolina	1,845,996.14	4,593,010.94
42. South Dakota	3,224,803.45	1,013,650.05
43. Tennessee	2,864,518.81	8,443,377.58
44. Texas	18,345,805.92	23,037,477.43
45. Utah	3,415,585.44	2,272,863.72
46. Vermont	834,334.79	1,585,400.68
47. Virginia	416,743.56	9,151,478.22
48. Washington	9,360,922.78	11,151,915.52
49. West Virginia	3,160,309.19	8,192,987.62
50. Wisconsin	9,610,756.87	19,563,191.89
51. Wyoming	766,221.01	896,978.52
Total	362,019,741.66	928,389,016.30

[1] On basis of amounts covered into the Treasury.
[2] Included in State of Washington.
[3] Included in State of Maryland.

Mr. MURRAY. Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield 11 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Chairman, I do not believe that there is anyone in my congressional district who expects me to vote for the Townsend plan. When this measure first came up, even before the introduction of the first McGroarty bill early in 1935, I had answered inquiries from my district concerning this plan by pointing out its utter impracticability and the crushing burden of taxation which it would impose upon the workingman, the farmer, the small merchant, and others of moderate means. Since that time I have written hundreds of letters to people in my district frankly giving them the reasons why I could not support the plan. Many of these letters have been read at meetings of Townsend clubs and otherwise circulated throughout the district.

In both the 1936 and 1938 general elections I was opposed by a candidate who espoused the Townsend plan and who had the endorsement of the Townsend organization; therefore the matter has been thoroughly and fully discussed in my district, and my position is well understood.

One of the reasons why I felt it imperative to make by position clear on this matter from the very beginning was because of the fact that I did not want to be a party, either actively or passively, to the deception, either wittingly or unwittingly, in good faith or bad, which has been carried on on behalf of this measure among the fine elderly people of this country. The growth of the Townsend pension program offers perhaps the most conspicuous example of the power of skillful propaganda which has ever been afforded in this country.

I do not want to question the good faith of all of those who have been guilty of deceiving millions of elderly people in this country into believing that it was possible for the Federal Government to pay them up to $200 per month without cost to anyone. The fact remains, however, that this impossible proposal has been the theme song of paid Townsend organizers and workers since the beginning of the movement and is today being held out to the elderly people of this country not only as the objective of the program but as something that was going to ultimately be brought about.

Since the introduction of the first McGroarty bill early in 1936, there have been at least four other bills which have been sponsored by the Townsend organization, to say nothing of the bills sponsored by other pension groups. These new bills have been introduced, because even the sponsors of the earlier legislation conceded that it could not work. Yet the Townsend organizers and lecturers have, on the occasion of the introduction of everyone of these bills, informed the members of the organization that they were

perfect bills and that they should importune Members of Congress to pass them without amendment.

The publicity and discussion which has occurred throughout the country with respect to these measures has, of course, demonstrated clearly that there is no possible way by which a tax can be levied upon the American people which would result in payments of $200 per month to all those over 60 years of age. Yet that has not in any degree resulted in a change in the propaganda of the organization, and this inducement is still being held out to the dues-paying members of the organization in order to keep the money coming in for the benefit of the officers, organizers, speakers, and other paid employees of the movement.

I call attention to the column carried in every issue of the Townsend National Weekly, including that which is dated Friday, June 2, 1939, entitled "Townsend plan in capsule form," where the $200 is still put forth in the following language:

> Revolving effects of the plan will be apparent within 30 days to 90 days. As transactions increase, tax revenues will mount and the prorated share of the spending agents will grow, to be again spent within 30 days.
>
> Continued increase in business will reduce unemployment rolls to a minimum. Continued increase in the tax return will add to the annuitants' pro rata share until a maximum of $200 each was being distributed monthly. At that time revenue beyond this figure can be used to reduce the national debt, or eliminate other taxes, or both.

All this notwithstanding the fact that members of the organization, when questioned concerning the matter, frankly admit that the taxes provided for in the present bill will not raise enough money to pay even one-fourth of such an amount. The fact is, if competent economists are to be believed, the provisions of the bill which is before us now would probably not raise sufficient funds to pay one-eighth of $200 per month. It is wrong to deceive the splendid elderly people of this country in such a fashion. Congress ought not to be a party to it. We ought to vote this bill down by such a vote that the elderly people of this country will understand that it is not possible to do what the sponsors of this legislation claim it will do.

Any fair analysis of the present bill, or any other of the bills embodying this plan, will quickly demonstrate that the plan is unsound, that it is unworkable and cannot possibly do what its sponsors claim for it. If the plan will work as the sponsors claim, then it means that it is possible in this world to get something for nothing, which the accumulated experience of generations of mankind has proven cannot be done. Yet that is the theory upon which this plan is being sold to the public. From the very beginning, the paid organizers and workers for the plan have based their arguments on the theory that the plan would cost nothing and that it is possible to pay out to the elderly people of this country as much as $20,000,000,000 per year without its actually having to come out of anyone's pocket.

The theory of the bill as expounded by its supporters is that by levying a tax it is possible to accelerate the circulation of money. Strangely enough, if this is the theory, the tax is to be levied not upon idle money or hoarded money which is out of circulation but upon money which is already actually in circulation. It is a tax to be levied upon business transactions so that every penny which would, by means of this tax, be diverted to pension payments is a penny taken away from someone who was actually preparing to spend it at the time it was taken away by taxation. In other words, all the transaction tax does is to take the dollar that is being spent for goods and commodities and divert a part of it to the Federal Government in the form of a tax. The man who is about to spend a dollar gets 98 cents worth of goods and the Government gets 2 cents in tax. Later, presumably some elderly person will receive the 2 cents and spend it. Exactly the same amount of money is circulated. The only difference is that in one case it would have been spent by the man who worked for it and earned it, and in the second case, it is spent by the man to whom it is paid as a pension. A transactions tax is a particularly vicious tax, because it bears down most heavily upon the poor. The people who have to pay the Townsend tax are the farmer, the small-business man, the working man, those on relief—in short, the 97 percent of our population who may be classified as poor or of moderate means. They are the people who are doing the work in this country, who are raising the families, producing the goods and creating the wealth. Yet, under this program, a man on relief would have to contribute a part of his meager return in the form of taxation. The farmer who is losing his farm would be taxed, and the small retail merchant who is just able to keep his head above water in the face of increasing chain-store competition would be assessed for his share. In fact, it seems very apparent that, under the present bill or any bill which includes a transactions tax or a gross-income tax, the small retail merchant will be placed at a much greater disadvantage as compared with the chain store, and small business institutions of all kinds will be forced out of the picture.

In the main, of course, this tax will be borne by the consumer, but in other cases competitive conditions may force it to be absorbed by the businessman and thus impose an additional handicap upon small business. Furthermore, if the history of taxation is any criterion, we can expect this tax to slow up business rather than accelerate it, thus not only reducing the amount of money in circulation but providing a decreasing scale of revenue. In view of these facts, which are admitted by all economists and which have not and cannot be controverted by the sponsors of this plan, is it not time that Members of Congress do their part in informing the people of this country that there is no way through legislation by which black can be changed to white, by which 2 and 2 can be made to add up 40 instead of 4, or by which people can get something for nothing?

The main reason that the Townsend plan has gained such a large following is because of the fact that the skillful propaganda of the paid organizers for the plan has been allowed to go unanswered and unchallenged. I have heard Townsend organizers frequently make the statement that there is no answer to the plan, that those who oppose it can give no good reason for doing so, and that their only reason for opposing the plan is because sinister money interests are against it. This bill is not going to hurt the moneyed interests of the country. It is not going to hurt the rich man who, after all, spends a very small part of his income. It will not touch a penny of hoarded capital. The men and women who will be hurt by it are in that great class composed of those who must of necessity spend all of their earnings for living expenses.

Yet I am confident that these facts have not been brought to the attention of the public generally. That is partly our fault. It is partly the fault of the press and of other avenues of information. With the high regard which I have for the fairness and intelligence of the American people, I am convinced that when this proposal is put up to them in its true light and in a fair way they will be overwhelmingly against it.

No one can carefully study the voluminous hearings which have been conducted on this measure without reaching the conclusion that every claim which has been made for this plan is false and that, instead of contributing to recovery, its adoption would be the greatest catastrophe which could happen to this country. Instead of doing what its sponsors claim it would do, the adoption of this plan would decrease the circulation of money and curtail business activity, because it is a tax imposed upon business activities and because it gives to one in the way of pension benefits what it takes away from another in the form of a tax. There is no way by which increased purchasing power can be developed except through the increased production of goods and wealth.

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

Mr. HOPE. I yield briefly.

Mr. BUCK. The gentleman from Kansas represents an agricultural district as I do.

Mr. HOPE. The gentleman is correct.

Mr. BUCK. I call the gentleman's attention to page 1002, where the gentleman from Massachusetts [Mr. McCORMACK] was interrogating Dr. Coulter, former president of the North Dakota Agricultural and Mechanical College:

Mr. McCORMACK. Doctor, just one or two questions. It is your opinion that the passage of the Townsend Act, or similar legislation, would be disastrous to agriculture, confining my question to that activity in the country?

Dr. COULTER. Yes; I think it would be very burdensome.

Mr. McCORMACK. By burdensome, you mean it would be destructive?

Dr. COULTER. Yes.

Mr. McCORMACK. Any Member who voted for this bill, who comes from an agricultural district, would be voting directly contrary to the best interests of the people of his district?

Dr. COULTER. I think so.

Mr. HOPE. I appreciate the gentleman's contribution; and, of course, I agree with what the gentleman says 100 percent.

The adoption of this plan will decrease rather than increase employment. It is true that if the pension were large enough it might result in elderly people giving up their employment and transferring their jobs to those in lower age groups. No new jobs would be created, however, and it is generally felt by those who have made a study of the matter that it would probably result in a net decrease in employment because many elderly people are employed because of their long and faithful service, and if they should retire, their places in many instances would not be filled.

The plan will ruin the small-business man and the independent merchant because chain stores and large business institutions will be able to avoid a part of any transactions or gross income tax due to the absence of middlemen or jobbers in connection with their operations.

The plan will impose an intolerable tax upon the consumer, which means upon the poor man. Everything he buys will cost more because of the tax, and his wages will be decreased because he will have to pay a tax upon them.

The adoption of this plan would prevent the development of a sound, workable pension, because any pension system to be successful must be based upon pension principles and not be tied up with an unworkable so-called recovery plan.

The sponsors of this legislation have a low opinion of Congress. I might say they have a contempt of Congress, because they believe that legislation in this body is not considered on its merits or because of its merits, but because of the amount of mass pressure which can be placed behind it. That is the theme of the entire Townsend drive. Its proponents do not offer arguments. They even tell their followers not to argue the question with anyone but that the thing to do is to bring all possible threats and pressure against the Members of Congress in order to induce them to vote for the measure, irrespective of its merits. No one can read the arguments which were made before the Committee on Ways and Means on behalf of the Townsend plan without being convinced of their pitiful weakness and utter lack of logic and sound economic basis.

I think that the vote on this bill offers the Members of Congress a splendid occasion to demonstrate to the people of this country that we are not influenced by mass pressure irrespective of the merits of legislation. If this bill is voted down overwhelmingly, it will result in increased confidence in Congress on the part of the people of this country and to that extent will contribute to business recovery. On the other hand if this measure should receive a large vote today, it will lower this great body in the estimation of the people of this country and will create a feeling of distrust and suspicion which cannot help but undermine confidence.

I have only the kindest and most sympathetic feeling for the splendid elderly people of this country, many of whom are supporting this plan. I want to see a sound, workable system of old-age insurance worked out for their benefit. Like all other great movements, however, whatever may be done must be done slowly and developed through experience. I am sure that is what the elderly people of this country want. Many of them have been induced to support the Townsend plan because of the misrepresentations that have been made and are still being made by its officers and organizers. No matter how good the original intentions of its founders may have been, by this time they know and must admit that there is no way by which pensions of up to $200 per month may be paid without costing anyone anything.

Yet that fraud is being carried on today in the columns of the Townsend Weekly, and the bill before us solemnly provides that payments shall be made to annuitants in an amount not exceeding $200 per month, and that any surplus shall be "used by the Secretary of the Treasury in liquidation of the national debt until same is cleared after which it shall go into the general fund." The Congress of the United States ought not to be a party to any program which gives such a false and fraudulent impression. We ought not to be accomplices to this program of deception which is being practiced upon the elderly people of this country who have a right to look to Congress to deal with them justly and in good faith. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Montana [Mr. O'CONNOR].

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

Mr. O'CONNOR. I yield.

Mr. HENDRICKS. Mr. Chairman, I want to call the attention of the House again, to page 6, line 6, of the bill, to that section which you consider ridiculous. I am the one to be embarrassed, but I have never assumed the mistaken sense of omniscience or perfection that some Members might have.

I hold in my hand the present Labor Code of California with this section in it verbatim. In addition to that it is in 200 important laws in California which are on the statute books, and a portion of this same language is in the United States Code. There are two other bills in this House at this time which carry the identical provision.

I wrote to the man who drew this bill to find out why the language was in it and I read a paragraph from that letter which will explain his reason.

In order to make perfectly clear, as an attorney admitted to practice before the United States Supreme Court and all the courts of California and the District of Columbia, the purpose the section serves, let me call attention to the fact that many statutes use the future tense "shall be." The section in question makes it clear that this means "is." Many statutes use the pronoun "he" and if this section is not in the statute a grave question arises as to whether a woman affected would be governed thereby without repeating "he or she," also whether a corporation would be included under the term without using the pronoun "it." Questions have often arisen in court as to whether the plural number used in a statute refers to just one person and some mighty important cases have been taken to our higher courts on whether "shall" means "must" and is mandatory. To prevent litigation, which the needy poor oftentimes cannot carry on, this section was inserted.

If any Members further insist on my helping them to expose their ignorance, they cannot complain if I attempt to accommodate them.

Mr. O'CONNOR. I thank the gentleman. I have not sufficient time to discuss the bill in detail. I want to call the attention of the Members to two or three matters.

It has been contended upon this floor this afternoon, and seriously if you please, that this measure if enacted into the laws of this country would bankrupt the Government. Remember, Mr. Chairman, that it does not bring into being a new department to enforce its provisions, it is enforced through the mechanics of the Bureau of Internal Revenue and without expense to the United States Government except a slight increase in costs of collection. In addition to that, they say the enactment of this law will break the country. Remember every dollar that is taken out in the form of taxation goes back into the country in the channels of trade every 30 days after it is collected; so it will not break the Government, and it will not break the country.

Mr. Chairman, whose eyes are turned toward Washington and upon the House of Representatives this afternoon? Are they the eyes of the rich? Mr. Chairman, no it is the old people throughout the United States who have been forced to live upon from $6 to $15 a month, living almost like animals,

if you please, who today from the East and West, from the North and South, are looking to this body to see whether or not we are going to compel them to continue to live in the future as we have compelled them to live in the past. We have had a lot of fun here this afternoon. I thought our distinguished friend from Missouri was going to burst a hame string in ridiculing this measure designed to help the needy. Yes, Mr. Chairman, we can have fun here, we can laugh here this afternoon, but we are laughing at the expense of humanity in this country, of the men and women of this country who are in need and with tears in their eyes looking to us.

They say that millions of the people who followed Dr. Townsend have done so through false propaganda. That is not true, Mr. Chairman; they have followed him because they feel that they are in need and something must be done. That is why they are prepared to follow this man.

We cannot do less here this afternoon than go along and meet the call of the old and needy people of this country.

Mr. Chairman and Members of the Committee, some people say that the Townsend plan is fallacious; but, in my judgment, the American people are indebted deeply to Dr. Townsend for the campaign that he conducted, calling to the attention of Congress and the American people the deplorable conditions that exist throughout the country. I think they will always owe to him a debt of gratitude.

And, Mr. Chairman, I am going to refer to a gentleman who has departed this life, for whose memory each and every Member of Congress has a deep reverence. That was Senator Thomas J. Walsh, of Montana. I happened to be visiting at his summer home at Glacier Park sometime in 1931, I think it was, and he was preparing a speech to be delivered before the chamber of commerce in San Francisco. He was pointing out in that speech the human needs of this country. He stated in the speech that there was "no surplus beyond human needs in the United States but there was a surplus beyond market demands."

Now, in my opinion, gentlemen, that is related to the subject at hand. It is distribution today that is wrong with the country. Somehow or other we have lost the key. Our markets are glutted with the necessities of life, and at the same time we have our hungry people, our ill-clothed people, and ill-housed people. I think the President of the United States was right when he made the statement that one-third of the people in this country were ill-fed, ill-housed, and ill-clothed. The Social Security Act is not adequate.

The present Social Security Act is based upon pay rolls. I see no hope of relief for the man who has no employment, who is not on any pay roll, in the present social-security set-up. Some time ago I engaged in an argument with my distinguished friend, Congressman McCORMACK. And I do not speak lightly when I refer to him as my friend.

I made the statement that I wanted to know if tax-exempt securities were going to be taxed or if we were going to have a chance to vote upon that before taking up a discussion of a bill providing for taxing the low-salaried people, the teachers of the country if you please, the most underpaid class of people that we have on the public pay roll, those who render the greatest service of any public servants.

I said "It seems to me that we went gunning for a mouse when elephants were at large." Between $50,000,000,000 and $60,000,000,000 worth of tax-exempt securities were going without a single dime being imposed by way of taxation.

As I understand it, one of the Rockefellers died and left an estate of something like $53,000,000, and $48,000,000 of it, I have been informed, was invested in tax-exempt securities upon which not a single dime of tax was imposed. I have introduced a bill in the House to provide for taxing the income and profits from all securities, Federal, State, county, and municipal, which bill has been referred to the Ways and Means Committee. I have asked for a hearing upon the same.

It is possible under our present system for a man to have an income of three or four or five million dollars a year and not even pay for police protection, court protection, court service, or schols for his children.

If the Townsend bill is passed it will put into circulation money which is lying static and dead in the banks of this country amounting to the staggering sum, if you please, of more than $9,000,000,000.

In addition, what else do you have? You have $52,000,000,000 on deposit in the banks. And I want to call your attention to this, Mr. Chairman, the reserve is never moved. It is an all-time high reserve in the history of this country. Now, cannot we find some way to help?

A gross-revenue or gross-receipts tax will provide sufficient revenue to meet the expediency of the program. A maximum monthly annuity of $200 may appear to be too high to many Members of Congress, but we must never forget our debt and our duty to the aged persons of our Nation. That debt, and duty as well, cannot be reckoned on monetary values, and whatever they receive will be a small portion of what they deserve.

From earliest civilization we have had the "haves" and the "have nots." Under our economic system the two classes are positive, normal products. We cannot melt the "haves" with the "have nots." Consequently, it is the duty of our economic system to provide for the "have nots" when they reach the autumn of their lives.

H. R. 6466 provides for the administration and related duties necessary for the carrying out of the Townsend program. It represents the best efforts of persons who have devoted many hours of labor and thought to the social-security cause.

We have tried hundreds of economic schemes to solve our internal problems. Surely we must not stop until we can at least find what program comes nearest to meeting the needs of our people—our youth, as well as the aged.

Ex-President Hoover wracked his brain from 1929 to 1932 to solve these problems to take off from the streets and off from the railroads the 12,000,000 to 14,000,000 men who were out of employment, living scarcely as human beings. I have seen thousands of people come into my town, which is a railroad city, crawling out of the freight cars, if you please, going down to the brush along the Yellowstone River and in the night coming up to town to get food, obtaining the trash from the stores that could not be used for sale purposes. I have seen good men and women living that way in my home city. President Roosevelt has taken his course in an attempt to solve this problem since 1933, but we still fall far short of our objective, and we still have millions and millions of unemployed in this country today who are hungry. Bear this fact in mind, Members of the Committee: That in your banks today you have over $9,000,000,000 that is static; that is held as a reserve. You also have hundreds of millions of dollars that are hoarded by the people.

The social-security program as it exists today is insufficient to meet the needs of the aged persons. An aged person cannot possibly live on $20 to $25 a month. I ask this question: What would one of us do if we were required to live upon the pittance that many of our elderly people in the United States are required to live upon now?

Now, Members of this Committee, is there a man on this Committee, or is there a Member of Congress, that would dare to get up in front of this body and who would admit to the elderly people of this country the fact that he would not pay the gross revenue tax if that would permit the aged to live in reasonable comfort? Whenever you give some money to somebody to spend, he is going to buy something with it, and you are going to put somebody to work to replace the article that he purchased. In my opinion, there is no such a thing as a waste of money. If I went out here on the street and threw a $20 bill away—which, of course, I would not, because I have not got it—but if I did that and somebody came along and picked it up and went uptown and bought a suit of clothes with it, or some lady bought a dress with it, that transaction is putting money into circulation. You have put to work somebody to make the article that he or she bought. It will stimulate industry.

It will be performing a duty that we owe to the aged people of the country, and, in addition to that, my friends, it will supplant the aged man with the youth who is traveling the country today without employment, out of a job, and, as I said a while ago, because of circumstances over which he has no control, we are making him a criminal. His average age in the penitentiary today is 21 years; we are hanging him; we are electrocuting him. Why? Because he has nothing to do. What hope is there for a boy that graduates from school if he cannot find employment?

We talk about elections, electing a Republican or Democratic candidate in 1940 for President. I say to you if we do not solve our unemployment problem, then we have today in the White House the most conservative President this country will ever see. His successor will take the reins in his hand and use the resources of America to meet the needs of his people.

There are certain things that I hope the committee will not lose sight of in considering this bill, one of which is that this Nation is accredited with having or owning 60 percent of the resources of the world, and only 7 percent of the population of the world is in the United States.

The proponents and followers of this program, designed for economic recovery and social security, have been termed "crackpots" from many sides. This program deserves the utmost consideration by this body, and in fairness to thousands of my constituents I want to see this program in application. I can say this to the Members of the Committee: I think we have 20,000 members of the Townsend organizations in the eastern district of Montana alone. We may have to rely sometimes upon what some think today is a crackpot theory to lead us out of our present difficulty.

During the last few years we have applied to practical tests the best programs framed by the leading economic intellects of our country. Today, as I view the situation, we have made no more than a faint step toward our desired goal.

I need not recite in detail the ironic story of machines replacing manpower. I need not dwell to any extent on the tremendous unemployment problem in the United States today. The facts are known by each Member of the Committee, by every Member of this Congress. You will recall that when the tractor replaced the horse in our agricultural regions several years ago, the mechanized tractor chugged onto the field and the horse was retired, not to green pastures but to the public lots. After creating nuisances, the horses were finally rounded up, shipped to various points over our Nation, and slaughtered and canned. Gentlemen, we cannot do that with the idle people who have been displaced by machinery.

Who will deny that the aged persons of our Nation must be taken out of industry to make room for the millions of unemployed roving youths in our country? And, also, who will deny that when aged persons are taken from the employment scene they must be given sufficient funds not only to meet their necessities but to provide comforts as well in their old age?

The Federal Bureau of Investigation recently informed me that the average age of criminals in our Nation today is 21 years. Now, think of that. Gentlemen of the Committee, I was informed by the Department of Justice also that the average cost of crime per annum to the Federal Government, the States, counties, and municipalities amounts to the staggering sum of $15,000,000,000. Now, that is a problem we have to consider. These young men and women have exhausted their patience seeking employment. They are met with the same answers each time they seek a job. If they cannot find work, they will find themselves in crime. Leisure is the devil's workshop for the youth of our Nation. And if we must have an unemployed class, it will be considerably better to have an unemployed class composed of the aged persons. Who is safer to be at large, hungry, with no place to go, a man in his teens or his early twenties, or a man 60 years of age or over? Who is safer to have at large and who will go farthest to get the necessities of life?

I receive scores of communications daily from my constituents in the eastern district of Montana urging my support in behalf of the passage of the Townsend national recovery program.

It is our duty as elected representatives of the people of our various districts to represent our constituents in the most efficient manner possible. When I impress upon you my stand in behalf of the Townsend program I am carrying out the desires of thousands of my Montana constituents who are not the type to fall in line behind a program built on a crackpot foundation.

You may recall reading of the time when Mr. Bell went to somebody to get him to help him finance the Bell Telephone Co., and when the poor fellow left, after having offered to sell a half interest in it for $500, the man that he offered it to did that—tapping his head—as though the man was crazy. Now, after all our great economists have tried it—the very greatest we have—we might have to try something else that does not perhaps ring 100 percent true to begin with.

We must bear in mind that the Townsend national recovery program is a recovery move as well as a social measure. The annuities will increase the purchasing power of a class of persons who today are barely earning sufficient funds to provide absolute necessities. I know of old people in my State of Montana that are living on from $12 to $15 or $20 a month. Are we performing our duties as Congressmen to that class of people, who have built our churches, our railroads, and our schoolhouses? Cannot they, and should not they, expect more of us? Furthermore, in addition to creating a new level of purchasing power, the program would provide jobs for our crime-bent youth, which consequently would open a new field of purchasers. When these people spend money industry is stimulated. Industrial wheels will not stand still when there is purchasing power to back the demand for the products. Furthermore, additional employment will be a necessity to provide articles desired by the new class of purchasers. New markets will appear on our economic skyline and demands supported by the necessary purchasing power for articles ranging from automobiles to fishing tackle will increase to an inestimable end.

Now, it is estimated that approximately 10,465,000 persons over 60 years of age would be eligible for pensions under the Townsend national recovery program, based on 1935 figures of the Census Bureau.

The Townsend program, as incorporated in the bill introduced by Representative HENDRICKS, provides for an efficient, workable social-security structure coupled with a sound recovery program. It was designed by some of the best minds of our country. Every person 60 years of age and over, who has been a full citizen of the United States for at least 5 years, is entitled to a monthly annuity under the Townsend program. It provides that the annuitant shall not engage in any gainful pursuit, thereby making room in unemployment ranks for youth who today are turning to crime in a pitiful attempt to solve their economic plight.

Members of the Committee, if it did not do anything else than put to work the youth of the country, if it did not increase employment at all, you would be doing a great service to our Nation in putting to work the youth and taking them off the streets, out of the pool halls, hell holes, and other places that are worse, putting them to work and giving them a chance to make a living like you and I had in our early life.

I read an article the other day written by Mrs. Roosevelt, the substance of which was this: What is the use in preparing to do something if you cannot find it to do after you are prepared? That is a very serious question. The obligations, Members of this Committee, are heavy upon your shoulders.

It has been argued that this bill does not produce anything that is not already in existence. In other words, that they have just as much to spend now as they would have after this bill were put into operation, because people are spending all they can get now. The reason I referred to the vast deposits

and reserves was to show that we have an all time high of reserves in the banks today. If we had a stimulation of industry, and if we had the class of people buying something that has no buying power today, it would detract from this pile of money that is of no use to anybody. In other words, we would have more money in circulation; we would have more business, and therefore more transactions taking place. That is the point I make, because it is argued that this bill would not cause anything to be produced. It would cause an increase in the purchasing of goods, which would cause, in turn, an increase in employment. If we can only get into circulation what we already have and give buying power to that part of the public which has no buying power at the present time it will stimulate business and industry. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Florida [Mr. GREEN].

Mr. GREEN. Mr. Chairman and fellow Members of the Committee, I have followed with considerable interest and with some amazement the speeches which have been made this afternoon for H. R. 6466, the Townsend plan bill. A number of you gentlemen have spoken in opposition to the bill and at the same time have indicated your desire to be of assistance to the old people of our country and to provide for them adequate pension. It is quite singular that some who have made these statements have not been identified, so far as I know, with any particular move for particular relief for pension to the aged. If you are so earnest in your desire to provide pensions for the aged, why not have you already brought out and petitioned for a vote for an adequate plan for the aged? The Townsend plan is the best plan which has been offered and I urge each of you to support it.

Many have viewed with alarm the consequences of the Townsend plan bill. Do you not believe that the Congress would be able to amend the law if it proved not wise? I am firm in my conviction that if the Townsend plan bill or any other pension bill for the aged should be enacted and later found not adequate or not workable, then future Congresses could amend or change it.

Our Nation is the richest and most powerful of all nations. We have almost half of the wealth of the world and the American people are the largest consumers of manufactured products and of raw materials. Per family we consume and use more than any nation in the world. The fact of the matter is, in practically all of the comforts and luxuries of life, the American people, although embracing only about 6 percent of the world's population, consume as much as half. We possess about 3 percent of the world's area and about 6 percent of the population. We possess more than 40 percent of the wealth and produce practically all of many of the essentials of life. Our Nation is a large producer of practically all of the food necessities and of clothing necessities. Our mineral wealth and other natural wealth exceeds that of other nations.

In this land of wealth and plenty, we still have poverty and dire necessity for the things of life. A large percentage of our population, probably 30 percent, is not possessed adequately of the comforts and luxuries of life. The enactment of the bill before us will, I believe, bring to these and to all of our people a large degree of the luxuries of life, together with all of the necessities and many of the comforts. The tax burden as outlined in the bill will not fall hard on anyone. After its passage, employment will surmount unemployment because the recovery which it will bring will offer employment to the middle-aged and the youth of our land. Idle hands are the devil's instruments and idle brains are his workshop. Idleness is conducive to crime and discontent. With gainful employment, the youth of our land and the middle-aged will be led away from crime and, in fact, crime in our country will decrease.

Records show that many of the crimes in our country are committed by those who are idle. With the vast wealth and development possibilities in our country, there is no good reason for idleness and want. I believe that with the passage of this bill employment can be had for all of those who are actually desirous of working. I believe also that destitution will be replaced by prosperity.

Some of my colleagues have named this bill as class legislation. The Congress has from time to time enacted laws which were particularly beneficial to the wealthy and rich and the industrialists of our Nation. If this legislation is called class legislation for poor people, then has it not the same right of passage as class legislation for the wealthy people?

The machine age in which we are living must be met. Machines have multiplied the quantity of goods and also multiplied the number of unemployed. One machine now will do the services which formerly were done by from 20 to 200 men. Science and invention have also added to the unemployment list. It would not be practical to undertake to outlaw scientific development, research, and invention perfection. Rather than do this, it is the American ideal to place a premium upon the perfected devices and evolution of industrial and natural production. To meet this great progress and development in production, we must increase the purchasing power of the rank and file of the American people. With added purchasing power, added consumption will follow. In America it is not a question of overproduction as much as it is a problem of underconsumption and a lack of purchasing power. By the passage of this bill the purchasing power of the American people will be tremendously increased. This purchasing power will take manufactured articles as well as raw materials and these will be consumed. As these articles are consumed through the added purchasing power, then there is an added demand for raw material and for manufactured goods. With this added purchasing power and added demand for goods comes the necessity for additional employment and hours of work. The enactment of this bill will go a long way toward solving our unemployment problem and the economic distress now experienced by the rank and file of our people.

I urge my colleagues to think of this legislation in a businesslike manner and from a business point of view as well as a humane point of view. It will give security and comfort to the aged of our land who have during their younger and earning years helped to accumulate the wealth of our Nation. These senior citizens have done their duty and their part toward the development of our industrial and economic life. They likewise have done their part in the developing and maintaining of our civic institutions and our general civilization. It is heartless for a rich government to deny these senior citizens comfort and security. They are entitled to it, and they shall have it. This particular plan will not only give this to them but will also carry the other necessary benefits to our American people who are less than 60 years of age.

I have just read a startling statement in the Washington Post of May 31. This statement says that in New York State the average monthly relief grant per case last January was reported as $38.16, while in Mississippi the amount per family is $2.91. A family of four in Atlanta, Ga., obtains only $6.70, and the average in New Mexico was $2.50 monthly. It is a travesty on justice for relief to be so maladministered. A person can be hungry in Georgia, Mississippi, or New Mexico to the same degree that he can be hungry in New York, Pennsylvania, or Michigan. Hunger, want, and necessity do not know any geographical bounds. It is unjust, unfair, and tragic for the relief administration to politically toy with hungry stomachs in our land. The same amount of relief benefit and the same relief wage should be paid alike in every place and to every white person in the United States. I decry and deplore such miscarriage of justice and misuse of public tax funds. I am assuming, of course, that this article appearing today is correct. I believe the enactment of the Townsend plan bill will soon make unnecessary Federal W. P. A. appropriations as well as many other Federal emergency appropriations.

My constituents, thousands of them, are deeply interested in this bill and believe it is the solution to our present economic and social ills. I have received thousands of tele-

grams, letters, and petitions urging passage of it. I shall read one just received from a neighbor of mine, and his wife. This neighbor is one of our prominent citizens and has in mind only the best interests of America and its future. The letter follows:

STARKE, FLA., *May 30, 1939.*

Hon. LEX GREEN,
Congressman.

DEAR LEX: This is to let you know that we are for the Townsend plan, H. R. 2. We expect to fight for it until we win. We sincerely hope that you are still with us, that you will make a fight for it when it comes to the floor, which we understand that will be Wednesday. The people as a whole in your district are depending on you—not only the Townsend members but the believers of the movement.

Respectfully,

W. A. COLLEY AND WIFE.

There are many other advantages which I would like to outline which this bill, when enacted, will bring to the American people, but time will not permit. I shall vote for the passage of the bill and commend its enactment to my colleagues.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from North Dakota [Mr. LEMKE].

Mr. LEMKE. Mr. Chairman, I am in favor of the pending bill, known as the Townsend bill, because I believe in an adequate old-age pension. We need not deceive ourselves by thinking we are going to escape our responsibility by setting up a man of straw and then proceeding to knock him over.

This bill provides a tax. This tax is the meat of the bill. It provides that the old people shall get the proceeds from that tax. I am informed that this will not exceed $50 or $60 a month.

It is a fraud and a deception to intimate that this bill provides for $200 a month. It does nothing of the kind. It provides that if the tax brings in enough the amount that any one individual may receive shall not exceed $200. The statements made here about $200 a month are not fair to the Members of Congress.

There are two things that should be borne in mind; that there is a deplorable financial condition existing throughout this Nation, not only of the old people, but of the young, and I feel that this legislation is a step in the right direction, that it will take from the industrial life about 6,000,000 people who ought to taken from it, because they are no longer capable and they have done their work in building this Nation, and it will give about 6,000,000 of the unemployed an opportunity to get employment.

So far as the merits of the bill are concerned, the young people are just as vitally interested in it as the old, because this is, in fact, and in truth, an insurance policy which cannot be forfeited or canceled for nonpayment of premiums.

The amount that each such individual will receive will depend entirely upon the income from the tax. There is one thing sure, it will be a great deal more than the few who are over 65 years of age now receive under the so-called old-age assistance. It will be given to all alike regardless of what State they live in.

Under the present law if you are 65 years of age and your State happens to be able to pay you $2 a month, then the Federal Government will add $2, making $4. Again, if your State is able to pay you $4 a month, then the Federal Government will add another $4, making $8. If your State pays you $15 a month, then the Federal Government will add another $15, making $30. But if you live in a State that does not or cannot pay you anything, then the Federal Government will also desert you. I feel that the Federal Government should treat all its citizens alike, no matter in what State they reside. If the State does not or cannot pay you anything, then you will need Federal aid all the more.

I agree that this bill will increase the cost of living, but not near as much as some of those theorists have told you. But that increase will be more than set off when we will be able to take six or seven million of the young unemployed and give them permanent work when the six or seven million old people retire from gainful employment under the provisions of this act. These young people will then be able to become self-supporting in place of living on a dole and a sandwich handed out to them by relief organizations.

It also will give security not only to the old but an assurance of security to the young. It will act as an insurance policy which cannot and will not be forfeited by nonpayment of premiums. I am sure the average man and woman will be willing to pay a little more for the cost of living provided they are sure that when they reach the age of 60 they will be taken care of, not as a matter of charity but as a matter of right.

The money which the old people will receive under this bill is not wealth, but it is the purchasing power, the yardstick with which they can measure and consume the wealth of which we have too much—the wealth which the Secretary of Agriculture had to destroy because, he says, we have too much of everything. This bill would provide a means for redistributing this wealth to the men and women who created it.

The Secretary of Agriculture recently plowed under 60,000 acres of sugarcane in the South. I want to give the old people the purchasing power—the yardstick—so that they can get some of that sugar. [Applause.]

Let us look at ourselves. Some of you have been here with me now for 7 years. We are still just where we started. We still have from twelve to thirteen million unemployed. We still have a situation where one farmer out of every five has lost his home by mortgage foreclosure.

Yet we are afraid to do anything for the people for fear we will make a mistake. May I say that if this Congress should make a mistake in trying to help the great mass of American people it will be the first time in the history of this Nation that Congress has made a mistake on the side of the people. Heretofore it has always made the mistake on the side of the selected few.

I cannot understand why some Members of Congress are so afraid that the people who have created the wealth of this Nation may get too much of it back. "Old-age pension should be called "old-age compensation," because any person who has worked at a useful occupation from the age of 20 to the age of 60 has produced enough wealth to take care of himself or herself for the rest of his or her life. If such a person finds himself or herself in financial distress and without the means of a comfortable livelihood, then it is because someone appropriated this wealth, or, rather, misappropriated it.

We have now arrived at a stage in our civilization where we realize that as a nation we can safely restore to the aged part of the wealth which they created, part of the wealth taken from them by overzealous individuals and corporations. This is not a pension; it is not charity; it is a compensation for useful labor performed or for wealth actually created or produced.

In fact, the Federal Government, as well as the States, require a pauper's oath from the aged in order to give them just a dribbling of that which is theirs, which they are entitled to, and which they themselves have created or produced, but which under our financial system has been taken from them, generally without their consent and without fault on their part.

In the distant past, as well as more recently, the combined energies of the world were required to produce the necessities of life. Nations became great because of an abundance of raw materials and sufficient labor to change these raw materials into finished products, but even then there was usually a scarcity of some of the necessities. Saving and thrift became the watchword of the day.

Now, however, owing to machines, to mechanical inventions, and chemical discoveries, all this has been changed. We suddenly find that we have an abundance for all. Our problem no longer is how to produce more nor fear the morrow may not bring plenty, but, rather, how to distribute the things that we have and that are essential to our well-being.

In place of destroying this food and clothing and other essentials of life, why not distribute it to those who helped to create it and need it? Why does Congress not pass a decent and intelligent old-age pension bill? Such a bill would provide the machinery for the distribution of our so-called surplus and overproduction. It would compensate the aged for part of the wealth they have created. Such a bill would make it unnecessary for the aged to continue in industrial competition with the youth of this Nation. It would to a large extent solve our unemployment problem. It would give to those who have toiled for 40 years a needed and deserved rest for the remainder of their lives. It would add to the health and well-being of the Nation. It would give peace and contentment where now all is doubt, uncertainty, insecurity, and mental suffering.

We all know that this Nation is still in agony. We all know that we still have some 15,000,000 on a disguised dole; that every courthouse is a poorhouse. We all know, in spite of all the statements to the contrary by politicians for political reasons, that mortgage foreclosures on city and farm homes are continuing and that thousands are being evicted from their homes. I regret to say that official Washington does not know what is going on in this Nation. It seems deaf and blind to the appeals of the men and women who have made this Nation what it is.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from New Hampshire [Mr. JENKS].

Mr. JENKS of New Hampshire. Mr. Chairman, I rise to voice my approval of the passage of H. R. 6466. I believe that the enactment of this legislation would be a step in the right direction (1) because it would establish a pension system for persons over 60 years of age which would afford them for the present the basic necessities of life and as time goes on, I hope, the comforts they should have, (2) because it would be at least a partial solution of the unemployment problem with which the country has been so sorely harassed for the past several years, and (3) because it would increase the confidence and contribute to the improvement of the morale of the old and young alike.

It is estimated that some 8,000,000 of our citizens who have passed the noonday of life would avail themselves of this annuity. We have in the neighborhood of 10,000,000 unemployed persons. During the course of the past 6 years, our national debt has been increased by some $20,000,000,000 in an effort to solve this unemployment problem, which is the root of our economic difficulties. Despite the vast pump-priming efforts that have been made at such a tremendous cost, the unemployment problem remains unsolved while the national debt steadily mounts with no prospect of surcease. The rapid strides that have been made in industrial mechanical equipment and scientific management have brought about a displacement of labor and the ensuing struggle for a livelihood, with which we are all familiar; machines now do the work which formerly kept many hands busy and that are now doomed to idleness.

It seems to me that a logical attack on this most stubborn and obstinate problem of unemployment would be to remove from the industrial market this percentage of persons over 60 years of age by awarding them, on a pay-as-we-go basis, adequate old-age annuities which would retain them as a force in the purchasing power of the country.

I regard this bill (H. R. 6466) which we have before us only as a beginning. I realize that the estimated pension of $50 per month carried in the measure we have under consideration will prove a great disappointment to many people who have hoped and who have thought in terms of a larger amount. Those people, however, will realize that all legislation is largely a matter of negotiation and compromise, and that any law that proves itself to be practicable, workable, and beneficial can be amended from time to time with a view to expanding its scope and broadening its terms. To those who suffer disappointment over the revision that has been made in the tax section of the bill, let me say that half a loaf is better than none. Let me further say that if this bill is enacted into law definite progress will have been made toward the desired goal because it would establish a pension system for all citizens over 60 years of age from which the stigma of pauperism will have been removed in that it would not require that an individual be practically a candidate for the almshouse before he or she would be eligible to apply for benefits, which is largely what we have under the present Social Security Act.

I am supporting this bill not because I believe that in its initial operations it would provide an adequate old-age annuity to its beneficiaries but because I believe it would establish the proper principle and the correct basis on which old-age annuities should be awarded.

In supporting this bill and advocating its passage, I am redeeming my pledge to cooperate in every manner possible toward the enactment of liberalized old-age pension legislation. Despite its imperfections, this bill (H. R. 6466) is seemingly the best we can get at this time and it probably constitutes our only opportunity to accomplish definite action in the matter of liberalized old-age pension legislation. For that reason I shall vote for it and I urge the Members of this body to do likewise. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield such time to the gentleman from Maine [Mr. SMITH] as he desires.

Mr. SMITH of Maine. Mr. Chairman, 25 years ago I introduced in the Maine Legislature the first old-age pension bill presented in that section of the country. Since that day I have patiently striven for, and waited the time when our older people could, through such a medium, be happy and comfortable during their declining years.

In those days a pension for the aged was regarded as a fantastic idea, and many pointed me out as being a dangerous man to society. But such epithets inspired me with courage and a desire to fight onward for the cause. And strange as it may seem, such activities have not interfered with my 49 elections without defeat.

When a candidate for the Seventy-fifth Congress my opponent in the primaries was a Townsend advocate, and after being defeated he, through Democratic influence and Townsend approval, became an independent Republican candidate in the following election. It is needless to say that this dramatic effort to retain the Second District in the Democratic column failed.

However, I became interested in the Townsend plan and its transaction tax, and sponsored it in the succeeding successful election, completely proving that one could win while sponsoring a pension program even at a time when the political pendulum was swinging the other way.

Since the last election throughout the Nation was more or less contingent on the Townsend plan, millions of proponents throughout the country had a right to expect action.

Instead, day by day, they have been sadly disappointed. It is beyond conception why so much time has been wasted, and after waiting nearly 5 months some of us wired Townsend headquarters urging at least cooperation.

One group has been contending that the negligence was of a political nature, that there were those who were hoping to drag this issue into another campaign. Others figured that such unfair tactics afforded profiteers a chance to collect nickels.

More amazing still is the fact that, so far as can be determined, not a single effort has been made to ascertain how many would be eligible and the amount of money pensioners would receive from the Townsend plan—a most ridiculous situation.

It was for this reason that I refused to go before the Committee on Ways and Means, unwilling to take part where Townsend sponsors were guessing at this amount, varying from fifty to one hundred and fifty dollars per month, or eight to twenty-four billions of dollars per year. Members of the Ways and Means Committee should not be condemned for not making recommendations when confronted with such indefinite information.

In order to do my bit to help out this homely situation, I was determined to ascertain the number of persons included and amount of money involved in the transactions tax,

first by selecting a town of 6,400 people as a basis, one typical of municipalities throughout the country, one with a mixture of races and varying industries. This arduous task consisted of many tests and unlimited compilations, taking months of time.

Results, so far as is humanly possible to obtain, disclose that there are 8,320,026 persons 60 and more years old who would apply for a pension; that the amount available would be $7,089,662,060, and would provide a pension of $70 per month, or $852 per year, less administrative expense.

Less than 3 months ago these facts and figures were placed with Townsend sponsors who appeared to be interested and admitted that something of this kind should have been done long ago.

However, new legislation has been offered by way of H. R. 6466 with the revenue program definitely changed. The transaction tax, for 2 years heralded by Dr. Townsend as being perfect, goes out of the window.

Such methods not only mean postponement of this bill but create perplexities and misunderstandings by supporters.

Furthermore, until one of its sponsors can show the difference in revenue between old and new bills, some of us believe the amount of pension, set up in latest Townsend plan, has been materially reduced.

I fear the vote about to be taken will reveal that Members in Congress are tired and sick of going one way today and in another direction tomorrow.

Suggestions that may be opportune:

First. Members in Congress, any of us, who use the Townsend badge to pull off publicity stunts or create political capital are not immune from criticism. Old-age pensions transcend personal and political interest.

Second. Dr. Townsend would do well to wear his own hat, listen less to others, and think for himself. Too many politicians, like too many cooks, spoil the broth. Older people of this Nation want one leader, Dr. Townsend.

Third. If you and I do not prevent further delays and confusion of the Townsend plan, we are not true to ourselves or to each other. Too many brothers and sisters, fathers and mothers, are making the last turn in life's journey while waiting and watching.

Dr. Townsend has done more than any man or group of men to create a pension-minded public, and our people, old and young, owe him an eternal debt of gratitude for conceiving a plan that will not only alleviate sufferings of those fading years but likewise protect the younger who, too, find themselves without a chance to earn a living.

Regardless of what mistakes have been made, regardless of who is accountable for the many delays, regardless of who is responsible for changes, we must go forward united, determined that man's inalienable rights shall, first of all, be enjoyed by those who have either fought or endured for freedom's cause.

Let me say that you who are more conservative—yes, perhaps more sensible—would, in my opinion, be among the first to extend the milk of human kindness if brought face to face with the condition that confronts more than 20,000,000 men and women of this day and generation.

This thought brings to our minds that the President of the United States is deserving of untold plaudits for making old-age assistance a national reality.

Sometimes I ask brighter men than myself to offer one good reason why the Townsend plan should not be adopted. Usually replies consist of misunderstanding of facts, many believing that a $200 pension is the goal.

Others will tell you that the amount of money involved will destroy our monetary system, that such an appropriation is insane and impossible. They forget that the required $8,000,000,000, on a pay-as-you-go basis, is about one-third of what has already been borrowed during the past few years.

Opponents cannot visualize that the Townsend money will relieve State and National Budgets of billions of dollars now being expended for relief and old-age assistance.

At times they overlook the fact that this plan will absorb much unemployment, and as proof of this theory, I call attention to the other side of the House where it is believed that one, two, or three billions of dollars, invested in W. P. A., cause business to improve and unemployment to recede.

By this same token, we claim that by increasing three or four times this buying power, and distributing it free from graft and politics in every community, month by month throughout the year, we will not only bring a temporary but lasting prosperity without increasing debts and taxes.

My friends, our older people were once the lifeblood of this country, caring for themselves and preserving the comforts of home for their kind and kin.

Today these pioneers are helpless because of conditions beyond their control. Surely these men are not to blame for property depreciations, closing of banks, higher living costs, loss of opportunity to earn a living.

Our present pension system is unjust, inadequate, and insufficient to fittingly care for fathers and mothers, to create a purchasing power that the younger and the stronger may take their places in the channels of progress and development.

If we do not act in this grave emergency, if we do not listen to the quivering lips of emaciated men and women, we will not fight a good fight, we will not run the course, we will not keep the faith.

Remember, if this bill is defeated, it is not dead, for like all other great reforms, it is just beginning. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from Oregon [Mr. MOTT].

Mr. MOTT. Mr. Chairman, it is regrettable, to say the least, that the House of Representatives must consider a bill of this importance under a gag rule permitting only 4 hours of debate. When I say "a bill of this importance" I mean exactly that. No bill has been introduced in Congress in the past 5 years which has attracted more attention throughout the country or which has been given more careful study by the great masses of our people than this bill. No bill during that time has received more popular support than this one, and there is no legislative proposal before the Congress now which has behind it a greater or a more serious demand than this one for fair, honest, and unprejudiced consideration at the present time.

But after 5 years of earnest and thoughtful discussion and consideration of legislation along this line, not only by Members of Congress here on this floor, but by millions of their constituents in every State and every congressional district in the Nation, what do we find? We find that most of the opposition here to the present bill (H. R. 6466), which is the legislative form in which the principles of the Townsend plan for a Federal old-age pension law are presented to us, has been solely in the nature of ridicule.

Thus far in the debate, with perhaps one or two exceptions, no serious well-considered argument has been advanced against this bill by any of its opponents. My opinion is that they do not intend during the remainder of the debate to offer serious argument or any facts whatever. They are still content, as they always have been, to laugh at this proposal and to ridicule it, notwithstanding the fact that most of them have never given 5 minutes' actual study to the bill and have not the slightest idea either of its specific provisions or of the fundamental principles on which it is based.

Now, I tell my colleagues seriously, if they do not already know it, that they cannot ridicule this thing out of existence and they cannot laugh it out of existence. You cannot ridicule or laugh out of existence a proposal which has behind it the affirmative support of more than 30,000,000 citizens of this country. You may think you can do so, and perhaps for the moment you can. But it is my humble opinion and prediction that the time will come, and that shortly, when your answer to the demand of the aged and the poor for a decent and sensible old-age pension will have to be something more substantial and affirmative than ridicule.

I have time in this debate only to scratch the surface, and I want to say first of all that there is no essential difference

between the bill that is now before us and the bill H. R. 2, for which this is a substitute. There is a technical difference in the method of taxation, but that is all the difference there is. The tax proposed in both bills is a transaction tax. In H. R. 2 it was a straight transaction tax, or, as some have called it, a multiple sales tax. In H. R. 6466 the tax is still a tax upon transactions, but the tax is for the most part measured by the volume of the gross revenue of those who are subject to the tax. It simplifies the transaction tax by eliminating the multiplicity of the taxable transactions. In this respect it is an improvement on H. R. 2. In all other respects the two bills are almost identical.

Now, what is the principal object and purpose behind all this so-called Townsend legislation? Let me say in the beginning, for the benefit of those who may be confused or bewildered by the deliberately planned tactics of opponents who are undertaking in this debate to kill the bill by laughing at it, that there is nothing mysterious or ambiguous, or even very unusual about it. And I may add, also, for the benefit of some of those who have been miscast in the role of comedians in this debate, that there is nothing funny about it, either.

The fundamental principle and the object of the bill is simply this—to provide an opportunity for every person in the United States who has reached the age limit of his real economic usefulness to retire completely from competition with those who have not reached that age, upon a Federal pension sufficient in amount to permit him to do this, and to live the remainder of his life in decency and comfort and happiness. And this legislation proposes further that this great blessing of security shall be extended to the aged of our Nation, not as a charity but as a matter of right.

Now, I submit, Mr. Chairman, that no intelligent Member of this body can logically find fault with that proposition, which is the very basis and the whole basis upon which the Townsend proposal rests. And I assert further that to ridicule it and to laugh at it shows a most amazing lack of intelligence on the part of the one who does so. And I say still further that any Member who cannot accept that basic proposition as a desirable goal to be attained is entirely out of line and out of touch with the almost universal thought and opinion of the people of this country.

But in spite of the fact that every informed person knows that the object and purpose of this bill is precisely what I just stated it to be, opponent after opponent has taken the floor in this debate and has declared that the millions of people throughout the country who are supporting the Townsend legislation do not know what it is all about. They assert that these people have been fooled into believing that this proposal is something which it is not. They contend, for example, that these people believe the bill before us provides for a pension of $200 per month and that they believe they are going to get that pension if the bill becomes law. And then these opponents, having thus set up a straw man of their own making, have proceeded to knock the straw man down and to ridicule what they call the absurdity of the situation.

Now, Mr. Chairman, all I care to say in reply to that kind of argument is this: Opponents who have made this claim here on the floor of the House are more familiar with their own districts and with the people whom they represent in Congress than I am. I am willing to admit that in some of those congressional districts the average intelligence of the people is not very high. I am willing to admit that in some States and in some congressional districts there may be supporters of this bill who are as ignorant of its plain provisions as their own Representatives in Congress have here declared them to be. But I say emphatically that that is not true of the supporters of this bill in States and congressional districts having populations of average intelligence, and I here declare categorically and of my own knowledge that it is not true of the supporters of this bill in the State and district which I have the honor to represent in the Congress of the United States. The people of Oregon know exactly what this legislation is. Nobody has fooled them. Nobody can fool them. A substantial majority of the people of my State favor this legislation. A substantial minority are opposed to it. But both sides know what the legislation is, and both its support and its opposition is intelligent. I make bold to suggest, therefore, to gentlemen who, in this debate, have charged that the people who are supporting this bill are ignorant of its provisions, that they confine their observations in this regard to their own constituents, who are the only people whose intelligence or lack of intelligence they know anything about. They can answer to them for impugning the intelligence of their own people if they want to. That is their business. But when they go further than that and undertake to insult the intelligence of people in another part of the country, about whom they are totally ignorant, then their gratuitous observations can be taken as nothing more nor less than just plain, ordinary impertinence.

Now, I have said that the object and purpose of this bill is to provide a pension sufficient in amount to enable those who have reached the age limit of their economic usefulness to retire from competition with those who have not reached that age, and I have said that in the opinion of the overwhelming majority of our people in all walks of life that that object and purpose is a desirable one—a thing which ought to be accomplished if we can devise legislation which will accomplish it. The only question in consideration of this bill, therefore, which can be properly raised is this: Does the bill now before us, H. R. 6466, offer a feasible, a sound, and a practical method of achieving this admittedly worthy object? Let us examine it solely with this question in mind, and not in a spirit of prejudice and vituperation, and see whether reason and experience, when applied to the provisions of the bill, will not answer the question for us.

The bill places the age of eligibility for a pension at 60 years. Why? For two reasons: First, because experience has shown that in modern industry—and in that term I include industry and business of every kind—the limit of the average person's real economic usefulness is reached, and that the majority of people above that age have not been able to exist in competition with people who have not reached that age. The second reason is that 9 people out of 10 above the age of 60 years do not have an income sufficient to support themselves and that the majority of people of that age are objects of charity in one form or another. Ninety percent of all the people past 60 who are holding jobs at the present time are holding them at the expense of younger people who are better fitted to do the work, and they are thus keeping out of employment millions of people who are still within the age which qualifies them to do the work required by modern industry.

Looking at the problem, therefore, from the viewpoint of economic necessity and desirability alone, I think most people will agree that the age of 60 is a proper age of eligibility under any comprehensive Federal old-age pension law. From the humanitarian angle, also, an age limit not greater than this commends itself to most students of this problem.

No one, of course, is obliged to accept a pension under this bill. If he does accept it, however, he must agree to spend it and not hoard it, and he must also agree to retire from active competition with those who have not reached the eligible age. There are two reasons for this provision. The first is that since the pensioner is to be assured of an adequate annuity monthly during the remainder of his life, and that remaining period is a brief one, there is no economic necessity for his having to save it; and the second reason is that it is economically desirable to put this huge pension fund into continuous general circulation. That the circulation of this fund obviously will tend to increase business, to create new jobs, and to otherwise help to bring about a recovery, there can be little doubt.

This bill is unique among the many old-age pension proposals in that it provides a definite method for raising the necessary revenue to finance the pensions. It does not depend upon borrowing to finance it, as does so much of the so-called recovery and reform legislation enacted by Con-

gress during the present administration. Neither does it depend for its financing upon taking out of the Treasury a part of the money raised for general governmental purposes. Finally, it does not propose to increase existing rates on any of the taxes which are now employed by the Federal Government for revenue-raising purposes. The bill proposes a new kind of tax, which is to be used exclusively for the financing of the pensions to be paid under it, and for no other purpose.

The bill (H. R. 6466) provides for the raising of the revenue necessary to pay the pensions by imposing and collecting each month the following taxes: (1) a tax of one-half of 1 percent on the sales of all producers selling any commodity as a producer; (2) a tax of one-half of 1 percent on the sales of all manufacturers selling any commodity as a manufacturer, (3) a tax of one-half of 1 percent on the sales of wholesalers or jobbers doing business as such, and (4) a tax of 2 percent on the gross proceeds of sales, or the gross revenue, of all others not included in the first three classifications.

Now that is a very simple but accurate statement of the whole tax feature of the bill. Wages and salaries, as such, are not taxed under this bill, nor is any other personal revenue received by a person in the pursuit of his trade, occupation, or calling, whatever it may be. The reason for this is that it is this personal revenue from which, ultimately, all taxes of every kind are paid, including the taxes specifically named in this bill. This revenue is the revenue of the ultimate consumer, to whom every tax now in existence is passed on. The ultimate consumer always pays all the taxes and no system has ever been devised under which he can escape this tax burden. To levy a separate tax directly on the ultimate consumer, therefore, would serve only to tax him again after all the other taxes provided in the bill had been already passed on to him.

Now, Mr. Chairman, you may be in favor of the taxes I have just outlined, and which include all of the taxes provided in this bill, or you may be opposed to them. But I submit, in all sincerity, that the claims made here on the floor of the House that these taxes would bankrupt the Government and ruin the business of the country are absurd on their face, and that there are no facts whatever to support such a claim. By what process of mathematical calculation, for example, is it claimed that a manufacturers' sales tax of one-half of 1 percent would ruin a manufacturer? The slightest increase in his cost of labor, or the difference in his cost of material from time to time, amounts to far more than that and has a greater effect on the cost of his manufactured article than this small tax could possibly have.

Not one shred of evidence has been produced in this debate or in the hearings on the bill tending to show that such a tax would be even burdensome, let alone ruinous, to the manufacturer. And the same thing is true of each and every one of the other taxes provided in this bill. And let me say further that all the taxes in the bill combined do not amount to a fraction of the Federal sales or excise taxes which many of these manufacturers are already paying under existing law. The present manufacturers' sales tax on cigarettes, for example, is 200 percent—not one-half of 1 percent, but 200 percent, or just 400 times as large as the tax provided in this bill—yet will anyone say that even this huge present cigarette tax has bankrupted the cigarette manufacturer? Of course it has not, and if an additional tax of one-half of 1 percent were collected from the cigarette manufacturers that would not bankrupt him either. Hundreds of other examples could be cited, but everyone is familiar with them, and everybody who has given any study whatever to the subject knows that a reasonable manufacturers' sales tax has never hurt any manufacturer. He simply passes the taxes on, as all other taxes always are passed on, to you and to me, and to all of the other 130,000,000 ultimate consumers of this country.

Some question has been raised as to the amount of revenue which the taxes specified in this bill would provide. It has been contended that we do not know just how much that revenue will amount to, and that therefore we cannot calculate what the amount of the pension will be. I am perfectly willing to admit that, but I do not admit that that is a valid objection to the bill. No one can tell in advance of the actual levy and collection of a new tax just how much that tax will raise. This has been true of every new tax bill. It was largely for that very reason that this bill does not undertake to prescribe the amount of the monthly pension to be paid under it. The bill simply provides that out of the revenue raised by these taxes the pensions shall be paid, pro rata monthly, to those eligible to receive them under the bill.

And now, in this connection, I want to make an important observation. It is this: There has been entirely too much controversy as to the probable amount of the pension to be paid under this bill. The amount of the pension to be paid during the first year or two of the operation of this law, if the bill becomes law, is not, in my opinion, very important at this time. The important thing is not to get a law which will immediately pay a fixed pension large enough to satisfy everybody. The important thing here and now is to get the fundamental principle of this bill enacted into law and to set up the tax machinery to finance it. That fundamental principle, as I have so often repeated, is to provide a pension for everyone who has reached the age where he ought to retire, in an amount sufficient to enable him to retire in complete comfort and in peace of mind, so that he may be freed entirely from the necessity of competition and so that he may safely turn over the job he now holds to a younger man who is out of a job and who is being kept out of that job largely because it is necessary for the old worker to hold on to it as long as he can in order to live. We know this bill will do that, even if we are not able in advance to calculate in dollars and cents the exact amount of the pension.

This security, this assurance of an adequate means of support for all of our people when they become old, this, and not the precise amount of the pension, is the fundamental principle, the dominant idea behind this proposed legislation. And when we have enacted that proposal into statutory law we will have accomplished two great things which have never yet been accomplished in the whole history of the world. We will have changed the period of old age from a period of fear and want and despair into that period of happiness and blessedness which the Creator surely meant it to be. That is what this bill will do from the humanitarian angle of it. Upon its economic side it will take the greatest step toward the solution of our unemployment problem that has ever been taken, because it will necessarily release millions of jobs to the young people of our Nation who now, through no fault of their own, find themselves without work while they are still living in the period of their greatest economic usefulness.

Therefore, I want to say again that whether the bill will furnish an immediate pension as large as some have claimed or hoped for is not at all the important thing at this particular time. The important thing is that this pension, which will at least be an adequate one, will actually enable the old people of our country to cease competition and to retire; and this great purpose having once been actually accomplished by law, that law can be amended at any subsequent session of the Congress so as to fix the pension at whatever figure experience and good judgment may then show that the tax proposed in this bill can properly and safely provide.

I now wish to discuss briefly the reason why it is necessary to employ the transaction tax in one form or another in order to provide revenue enough to finance an adequate pension system. Objection has been advanced against the transaction taxes provided in H. R. 6466 on the ground that they are really multiple sales taxes, and that a sales tax is wrong in principle because it does not assess the taxpayer in accordance with his ability to pay. This is one of the few objections that have been offered seriously to the bill during the course of the present debate, and it is entitled to a serious answer.

I answer that objection, first, by admitting that for purposes of general revenue for ordinary governmental purposes the sales tax is not an equitable tax, because under it the poor man is more heavily burdened than the rich man. This is because the poor man must spend everything he

makes in order to live, while the rich man needs to spend only a portion of his income for that purpose. But I contend that this objection is valid only when the sales tax is used for the general revenue-raising purposes. When it is used for a specific and exclusive purpose—for the purpose of financing a necessary and indispensable activity outside of the usual and ordinary functions of government—then this objection largely disappears, because then the tax is used for the direct and special benefit of those who pay it.

There are many examples of the truth of the statement I have just made. I will cite only one; that of the gasoline tax, which is purely and simply a sales tax. The sales tax on gasoline in most States amounts to from 20 to 25 percent of the retail price of the gasoline. No one would tolerate such a tax for general governmental purposes. But the gasoline tax is paid by motorists, for whose benefit the roads are built, and it is used exclusively for road building. Without the gasoline sales tax the motorist knows his automobile would be useless to him. Therefore he willingly pays the tax, which is several times as high as the tax contemplated in this bill, because he derives the entire benefit of the tax he pays. I venture to say that the most outspoken opponent of the general sales tax—and I myself happen to be one of them—would not for a moment consider doing away with the gasoline sales tax, or even reducing it in any considerable amount.

The same reason that makes the gasoline sales tax desirable and necessary for the special and exclusive purpose of road building makes such a tax as the transaction tax desirable and necessary for the financing of this new and special and necessary Government activity, which is for the direct and special benefit of those who pay the tax, and without which tax the benefit cannot be given.

The objection to the tax feature of this bill is a fundamental objection, of course, but I think a complete answer can be given to that objection by asking this question: Is the benefit to be derived by the taxpayer from this bill great enough and necessary enough to warrant the tax burden which it must necessarily impose upon the taxpayer? If it is, then the objection fails no matter what the objector may think of this particular tax, because without some special tax of this kind it would be impossible to raise enough revenue to finance any comprehensive adequate Federal old-age pension.

Therefore if it be once conceded that we should have an adequate Federal old-age pension system, and nearly everyone now does concede that, then we must provide for its financing; and to do that we must of necessity employ a tax which is capable of raising the necessary revenue. Since no other tax entirely capable of doing this has as yet been proposed, or appears likely to be proposed, it follows as a matter of ordinary logic that this is the tax which should be employed.

And who pays the tax under this bill? Obviously everybody pays it. Who directly benefits by paying the tax? Again everybody, because everybody living in the United States, no matter what his age, will be eligible to the benefits of the act, if he needs them, when he reaches the eligible age. And please do not forget in this connection that experience has already demonstrated that 90 percent of the American people now living will need its benefits when they arrive at that age. That is a plain, cold, statistical fact, which should give pause to everyone in his consideration of this bill.

It has been argued here that this bill is a tax on poverty. I do not agree with that, nor do I think such a contention can reasonably be sustained. It is a tax upon the rich and the poor alike. But to those who say that the poor will pay most of the tax because they constitute the great majority of our population, because they make up the major portion of the ultimate consumers, and because they must spend all they earn in order to live, I reply that it is the poor who will most surely be the direct beneficiaries of this bill. I reply also that it is not the poor who are objecting to the taxing features of the bill. And if the poor themselves do not object to being taxed for the purpose of insuring to themselves a little comfort and happiness when finally they enter upon the twilight of the evening of their lives, surely no one else should be heard to raise his voice against it.

I wish it were possible to find a tax which the very poor did not have to pay at all, but no one, I am sure, believes that this is possible. It is the poor who have always been really taxed, regardless of what the form of taxation has been. The great income-tax payers, for example, have always managed to pass along most of the tax to the consumer, although the tax the income-tax payer pays is merely a tax upon his profits. Even this tax he passes on to the ultimate consumer who, as has truly been said, is for the most part poor. Throughout all history that has been the case. The rich always have been few. Always the poor have been multitude. From the beginning the poor have carried upon their backs the burden of the world. They still carry it. They have fought its battles, they have created its wealth, they have paid its taxes, and as their reward they have died, as they have lived, still poor. I say this has always been so. But has not the time now come to inquire whether it must continue to be so forever? Is there always to be no hope, no reward, no surcease from the never-ending toil of the masses of our people?

Mr. Chairman, for the first time in the history of legislation I see in this bill the hope that the age-long burden of the poor may be lightened, at least toward the end of the journey. This bill does not propose to make the poor man rich. It does not propose, as has mockingly been said, to make spendthrifts of the aged. It does not propose to bring about any revolutionary change in our economic system. It does not propose to take away wealth from anyone. But it does propose, and it does undertake, to insure to all the people of the United States, no matter how poor they may be, that when they have reached that age in life where they are no longer fitted by nature to continue the strenuous fight for existence that they shall receive back something of the wealth they have already created as their reward and their due for having created it.

It does undertake to say to them that when, by virtue of their years, the time comes for retirement that they shall be entitled to retire as a matter of right and that their retirement shall be one of comfort and security. It undertakes to liberate from the minds of all the devastating fear of poverty in their declining years and to bless those years with the sunshine of peace and happiness. And while doing all this it undertakes at the same time a rational effort to solve at least a part of the vital problem of unemployment which must be solved if the Nation is to endure but which all the billions expended and all the volumes of legislation of the past 7 years have as yet failed to accomplish.

A measure having these things for its purpose and its goal must, in my opinion, ultimately become law. I believe the bill now before us, if enacted, will go far toward reaching that goal. I consider myself fortunate in having had the opportunity to support the first legislation of this kind—the revised McGroarty bill—upon its initial introduction in the Congress and to have had some part in the making of subsequent bills translating the fundamental principles of this basic pension plan into concrete legislative proposals. I am convinced the time is near at hand when the Congress must inevitably see the wisdom and necessity for enacting these proposals into law. The demand of the people of our country for a sensible, workable, and adequate Federal old-age pension system, such as this bill provides, is a demand which the Congress eventually must meet and which through enactment of legislation of this kind it can meet. This demand on the part of the people is a natural and a human one arising out of a basic necessity which has long since been admitted by everyone. It is a righteous and a just demand and it is growing more insistent and more emphatic every day. It cannot and it will not long remain unheeded by

those who represent the people here in the lawmaking body of our Nation. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 8 minutes to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, I desire particularly to address myself this afternoon to those Members of the House who were not here with us in 1935. This Townsend plan is no new proposal. It was offered as an amendment to the original social-security bill in 1935, in a different form. Then it was the third of the eight different proposals which have been presented under the name of that gentleman to date. A fourth proposal was offered before the Social Security Act was adopted, and since that time we have had three other versions of the plan and finally the one which you are considering now. The bill that you have under consideration, H. R. 6466, was only introduced after the hearings on amendments to the Social Security Act or substitutes therefor had been closed by our committee, and long after Dr. Townsend had promised to present my amendments that he cared to have the committee consider in modification of H. R. 2 would be introduced. It is the eighth of the Townsend proposals.

While the spots on the leopard have been painted over a little bit it is still the same old leopard that is before us. I hope, therefore, that those of you who are interested in going into the fundamentals of this proposition may review some of the debates that took place here in 1935 as well as that which is taking place here this afternoon.

The fundamentals of the plan remain the same; first, a goal of $200 per month for every American citizen over 60 years of age; compulsory spending of that amount within 35 days, and a taxation system based on transaction or gross revenue taxes. These are the basic features. The present bill is the result of the extensive hearings recently held before the Ways and Means Committee on H. R. 2, which were acknowledged by Dr. Townsend and all his associates to be full and fair. The criticism that has been made today that there were no hearings on H. R. 6466 is quite beside the point, for outside the tax structure, which is only modified as to rates in certain cases, fundamentally the bill is identical with H. R. 2 on which the Ways and Means Committee spent weeks. As a matter of fact, the proponents of this bill stipulated that the evidence produced with regard to H. R. 2 would equally apply to H. R. 6466.

A careful review of this bill has been made by those of us who are familiar with the other seven proposals. In our opinion, it has all the imperfections of H. R. 2, and as far as I can see, no improvements. Whatever number these bills may carry or however the details may vary from year to year while the fundamental features of the plan just referred to remain, I know that I shall not be wrong in opposing their enactment into law.

The tax that is proposed in this bill is the same thing as a transactions tax, for if the tax is not collected at every transaction in the course of manufacture, it must be paid by the manufacturer, the producer, or the jobber at the end of a whole series of transactions, on the gross value of his sales, and the wage earner and the retailer will be taxed the full 2 percent at the time they receive their wages or at the time they part with title.

The effect of a transactions tax, of course, whether it is paid at the end of a chain or paid as you go along, is to pyramid the cost, and to pyramid the cost at the expense of those least able to bear it, the ultimate consumers. Therefore, it is the most unjust tax that can be placed upon the American public.

I quote from the hearings, page 865:

Mr. DUNCAN. In considering the probable increase in the cost of commodities to the ultimate consumer, is it not likely that that increased cost would be more than the tax itself that would be imposed as the commodity moves through the various transactions?

Dr. DEWHURST. Well, it would be pyramided, of course, to increase net prices by more than 2 percent, because by the time you get the commodity through all the stages from raw material, adding 2 percent each time until it finally got into the hands of the consumer, the increase would be, as a rule, several times 2 percent. As I say, it would range from 5 to 10 or 12 percent. It is hard to say what it would be.

It would, of course, vary according to the number of transactions entering into each commodity, but that there would be an increase in prices all along the line no one has attempted to deny. In effect, this would mean depreciation of the buying power of the dollar. Perhaps the realization of this is what prompted Dr. Townsend to say that there should be a periodical reexamination of the amount of the annuity, and urged him to call for a further increase of the $200 now suggested to $300.

Hearings, page 597:

Dr. TOWNSEND. I believe every 5 years, once we loose—once we take off the shackles on technological knowledge and inventiveness—I believe every 5 years we shall have to resurvey the economic condition of this country and raise the standard of retirement for the aged. Two hundred dollars a month will not stay very long. We will go to $300. We must, inevitably.

Hearings, page 655:

Mr. MCCORMACK. When you say you later believe it should go to $300, then you disown the principle at $200 at this time?

Dr. TOWNSEND. No; not the principle at all.

Mr. MCCORMACK. In other words, the $200 is not your objective; it is only a means to an end?

Dr. TOWNSEND. That is all.

If $300 in 5 years, with successive and gradual depreciation of the value of the dollar, restriction of sales, and increase of unemployment, why not $500, $1,000 per month, or more later? This might not be so bad for the aged if their dollar were artificially kept up to par, but what about those under 60 years, whose wages would not go up by similar leaps and bounds? They would not only be taxed on their earnings to pay these annuities, but taxed on every article of food or clothing which they bought at an increased cost, with their impaired dollar.

Dr. Paul Studenski, professor of economics, New York University, presented quite clearly the effect of the proposed taxes on transactions or so-called gross income. At page 953 of the hearings he testified:

The proposed taxes on transactions or so-called gross income, despite their misleading low rate of 2 percent, if ever enacted, would prove to be the most burdensome taxes in the history of this country. The 2-percent tax under either plan, applicable as it would be to each successive turn-over in the production of goods, would make up a total burden of between 10 and 25 percent of the cost of the final product. It is obvious that industry will not be able to absorb such a burden and that the general level of prices would rise simultaneously with the imposition of the tax and commensurately with the rise in the costs of production. The rise in prices would be especially marked in the case of those goods which are the results of the efforts of many enterprises each of which handles the goods in a different stage of production, and where, consequently, the tax would be pyramided many times over.

Confronted with a rise in prices, wage earners, salaried groups, farmers, and recipients of low and medium-sized incomes, generally, would be compelled to spend a larger portion of their incomes on necessities and a smaller one on luxuries. The curtailment of demand on the part of these groups for luxuries would certainly disrupt the industries producing such goods, unless there developed a corresponding increase in demand for these goods from the aged men and women to whom the purchasing power has been transferred. It is conceivable that in the case of some types of consumption goods, such an offsetting increase in demand would take place, with the result that the industries involved would neither gain nor lose from the contemplated transfer of purchasing power Since the requirements of the aged, however, differ materially from those of young people, in the case of most commodities, either a net increase in demand or a net decrease, would result. Industries producing goods and services having a particular appeal to the aged would be benefited. Those producing goods and services of little use to the aged, however, would be forced to curtail operations or perhaps to close down altogether.

The proposed taxes would result in a great diminution in security transactions. The purely speculative transactions will be taxed out of existence, for the margin of profit thereon is too small to bear such a tax. Consequently, stock exchanges would probably cease operation.

The gentleman who preceded me said no one had told him this afternoon why this tax is unjust. I will tell you why it

is unjust. It is unjust because, in the first place, it starts by taxing the baby's milk, the school books of the youth, their education, the food and clothing of the young man and the young woman, as well as the wages of every ditch digger and of every charwoman who scrubs the floor, and those who are making the Nation today and who need every cent to carry on and produce the succeeding generation. For what purpose? Supposedly to put into circulation through the aged, money which their relatively simpler needs—their families having been reared—do not require. But even the aged will be consumers and they, too, will be taxed on their expenditures. The ultimate consumer will pay at both ends of the ladder of life.

The tax is an unjust one because it is a tax prorated among the people on the basis of old age, on the basis of a person having reached a definite age. It is prorated, and that is perhaps the biggest defect there is in the whole proposed system.

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

Mr. BUCK. I decline to yield.

Mr. MOTT. The gentleman used my name. I thought perhaps the gentleman would yield.

Mr. BUCK. I am sorry, I do not have time to yield.

It is apparent from the discussion this afternoon that there are still many of my good friends on both sides of the House, just as there are at home, who feel that the Townsend plan is a pension plan, a bill to relieve the necessities of the aged. Were that the only effect of the bill, even though the system of taxation proposed is outrageous, it might be seriously considered. However, the proponents of the bill have always said that this is not a pension plan—it is a recovery plan. My own advocacy of a sound system of assistance and care for the aged needs no defense here today and is a matter of record in legislation such as the Social Security Act that has been passed by the House. In this connection, I may well point out that the aged are already cared for, both under old-age assistance and old-age insurance under that act, and that a new, revised, and liberalized version of the Social Security Act, H. R. 6497, has already been introduced in the House by Chairman Doughton of the Ways and Means Committee as a result of very extensive hearings which our committee has been holding since February 1, 1939. It will be reported very shortly and acted on, I hope, next week. Incidentally, those hearings gave us a full insight into the defects contained in the pending bill. I have no doubt in my mind that our liberalized program will be adopted by the Congress, and that it will be an effective piece of legislation.

Since the proponents of the Townsend bill claim it is a recovery and not a pension plan, it is well to call your attention to the fact that whatever basis it has for consideration depends upon claims that it will bring prosperity through imposed heavy taxes to be diverted into trade channels by compulsory spending. The theory is that by increasing the velocity of money, business prosperity will ensue. It is purely a monetary plan and not a philanthropic program.

I do not know why the aged were picked out as the vehicle through which this velocity of money is supposed to be increased, except that they no doubt have a fundamental appeal to all of us. If the youth of the country, or the farmers, or the veterans, cannot be used as an excuse, why not the aged? Inflation is what our monetary meddlers want, but they have no assurance that the money, once distributed, will continue to speed on its way. There is no assurance that once out of the hands of the annuitant the money will not pile up in the banks or come to rest in some old sock. The pension picture of the aged is just a great, big false face for erratic economics.

The proponents of the bill generally seem to have failed to consider the effect on our national economy of the proposals contained therein to pay uniform and universal benefits to a specified class. The first thought that will occur to you is that these benefits are not paid according to the need of the recipient or according to any economic loss that he may have received. The cost will be tremendous because you include all types of individuals, simply because they have reached a given age. There is not only a high cost but inequity results as well. If no consideration is given to the individual need or the economic loss that a recipient has suffered the payment of a flat pension is bound to result in some people receiving more than others in proportion. Certainly there is bound to result an inequity if $2,400 a year is paid out when it is considered that 89 percent of the families and persons in the United States had incomes of less than $2,500 per year, according to the report of the National Resources Committee in 1935–36, while over 97 percent had incomes of less than $5,000, which is almost the amount that a married couple over 60 would receive under the terms of H. R. 6466. Add to that the considerations that should be taken into effect as to the cost of living in various portions of our country, the economic wage levels of those who are under 60 throughout the entire country, and other factors which have been given no thought apparently by the proponents of this measure, and it obviously stands to reason that there will be a definite and disrupting effect upon the whole economic structure of the United States. The tax on goods sold in export trade may well interefere with our competition in foreign markets; in fact, it would almost inevitably interfere. The tax on imports would not be sufficient to offset the increased costs of home manufactures resulting from the transaction tax as it marched through the process of American production and manufacturing.

There is another objection which stands out. From either the social or administrative standpoint, a prorated pension such as is provided by this bill is most undesirable. You will recall that this total fund is to be prorated among the eligible annuitants without regard to need or economic loss. The amount of the fund is that raised by a tax based on the gross transactions or gross sales value of any given year. In 1934 the base of our gross transactions was less than half of what it was in 1929. Assuming that the old people seriously depended upon these pensions for their livelihood, it would be extremely difficult for them to adjust their standard of living to any level, since the pension might be $50 per month in one year, $35 per month the next, and then bound back again. It would be a physical impossibility to know from month to month what the pension was going to be over a period of 12 months.

There is further no test based on the necessity for relief, and Dr. Townsend does not believe in any such test as is shown by his testimony at pages 609, and 618 of the hearings, which I here insert.

Hearings, page 609:

Mr. McCORMACK. Under your bill you provide for a pension without regard to whether or not reasonable need exists. That is so, is it not?

Dr. TOWNSEND. I would abolish the needs test entirely.

Hearings, page 618:

Mr. McCORMACK. Let me get this; need is not the test in order to get a pension?

Dr. TOWNSEND. It shouldn't be.

Mr. McCORMACK. And it is not intended by you it should be?

Dr. TOWNSEND. No.

But if there is no such test every time there is fluctuation in the amount of the fund raised due to a fluctuation in the gross transactions or gross sales value of any given year, the man who is in need will suffer more than he should because the man who is not in need will still be drawing his pro rata of the pension fund. This is an inequity which I abhor and which alone would justify the defeat of the pending bill.

Now let us consider the other claims of the proponents of the measure. According to them it would relieve unemployment.

Unemployment would be reduced, it is contended, because the retirement of older workers would make room for younger workers. It is assumed that between 3,000,000 and 4,000,000 persons over 60 are now at work and would retire. Assuming this is wholly desirable, it would not increase the total volume of employment or decrease the total volume of

unemployment. The young would only substitute for the aged. Possibly even the volume of unemployment might be increased, partly because the old people who are now "taken care of" by employers would not be replaced, and partly because the effect of taxes would result in the curtailment of business. Directly there would be neither an increase or a decrease of unemployment. When taxes are considered, there might be a substantial increase of unemployment.

As to the effect on purchasing power and business activity, every bit of testimony that was presented to the Ways and Means Committee indicated that the payment of pensions under this bill could not increase, but could only redistribute income and purchasing power. Obviously the money paid out to the aged would be money which would be spent otherwise if it were not handed over to them. It would be collected in the form of taxes from the younger groups of our country. Hence the purchasing power of persons under 60 would be decreased to the extent that the purchasing power of persons over 60 would be increased. I recall that one of the experts before our committee called our attention to the fact that there was no reason to believe that even if the net purchasing power of consumers could be increased that prosperity would be restored. "At the bottom of the depression," he said, "consumers' expenditures were at a much higher level relative to 1929 than were expenditures for producers, capital goods, and new constructions." (Dr. Dewhurst, hearings, p. 791.) General business revival, it is pretty thoroughly agreed, depends more upon the recovery of expenditure for capital goods and construction than upon the expansion of consumer spending.

There are other glaring inequities in this bill. I do not need to call your attention to the curious and sometimes conflicting phraseology of the bill, because that has been gone into this afternoon by some of the other speakers. I hesitate to talk about its constitutionality although there are some very grave questions, for instance, the tax on sales of manufactured products that are exported from the United States and, for instance, the establishment of a separate fund in the Treasury into which these taxes are to be paid directly. The proponents of the measure have recognized their doubtful position by introducing a constitutional amendment to validate this plan, and the gentleman from Florida today has admitted that he does not know whether the bill is constitutional or not. In the course of the hearings, page 615, the following colloquy occurred:

Mr. McCORMACK. Well, if the bill is constitutional, there is no necessity for a constitutional amendment.

Dr. TOWNSEND. I think it would be better.

Mr. McCORMACK. Do you think you could get an amendment to the Constitution more easily than you could get the passage of this bill through Congress?

Dr. TOWNSEND. Well, probably not more easily, but we would feel easier after we had it.

Every economist who appeared before the Ways and Means Committee testified there would be a rise in prices as a result of the imposition of this pyramiding tax. That it would be ranged from 5 to 12 or more percent, according to the number of transactions that entered into the manufacture of any given commodity, but there is bound to be that rise, and let me tell you that that rise in the price of commodities means a depreciation of your dollar.

Now let us consider what the proposed taxes may yield.

There is a very grave question as to whether the $200 per month, or the $300 which Dr. Townsend envisages, will ever be attained. Since this present bill provides a great many more exemptions from the taxes imposed than any of the previous bills, a complete and accurate estimate of the amount of revenue that would be derived is not available. It would unquestionably be less than the amount of the tax yield which was estimated under H. R. 2, the bill recently abandoned. Taking as a base the statistical table inserted in the hearings at page 85, showing a break-down of the gross transactions of the Nation for 1936, which totaled, according to Mr. Robert R. Nathan, Chief of the Income Section, Division of Economic Research of Bureau of Foreign and Domestic Commerce, $449,000,000,000, Dr. J. Frederic Dewhurst, of the Twentieth Century Fund, prepared an estimate of the average monthly pension under H. R. 2. I insert the table, which is found at page 789, volume 1, of the hearings:

Estimated tax yields and pensions payable under H. R. 2

GROSS TRANSACTIONS AND TRANSFERS	
1. Total gross transactions (or gross income) 1936	$449,000,000,000
2. Estimated transfers of money by devise, bequest, etc. (1935)	2,500,000,000
3. Estimated transfer of money by gift (1935)	1,100,000,000
4. Estimated total transactions and transfers	452,600,000,000
ESTIMATED EXEMPTIONS AND DEDUCTIONS UNDER H. R. 2	
5. Payments for personal service of employees	$37,368,000,000
6. Gross income to Government (1937) total	12,500,000,000
7. Estimated sale of Government securities	3,000,000,000
8. Shrinkage in security transactions resulting from 2-percent tax	76,288,000,000
9. Shrinkage in sales of tangible goods resulting from 2-percent tax	14,483,000,000
10. Total exemptions and deductions	143,639,000,000
11. Total transactions and transfers	$452,600,000,000
12. Total exemptions and deductions	143,639,000,000
13. Theoretical taxable balance	308,961,000,000
14. Yield of 2-percent transactions tax	$6,179,220,000
15. Number of persons over 60 years o'd	12,600,000
16. Number of persons who would accept H. R. 2 pensions	10,100,000
17. Average annual pension under H. R. 2	$612
18. Average monthly pension under H. R. 2	$51

This table indicates that the average monthly pension available could be only $51, allowing nothing for administrative expenses.

I was very much interested in what one gentleman said this afternoon to the effect that there would be no additional expense to the United States Government to collect and audit the returns and make the payments, that the Bureau of Internal Revenue and some other agencies could easily handle this. There are about 2,740,000 individuals and partnerships and corporations employing workers at the present time that will have to be checked, while we are only dealing with a limited number of income-tax payers.

Treasury estimates on the bill before us in 1935 indicated an administrative cost of 8½ percent, which would reduce the net pension by that amount or to the figure of $46.67. Under the new bill with its lower rates on producers and manufacturers, and its additional exemptions the yield would be less than that. The most reliable figures I have indicate that 30 percent of the collections would be on one-half of 1-percent tax basis and 70 percent on a 2-percent basis. Administrative expenses, however, would be greatly increased because under the phraseology of the bill many people, such as producers selling both to wholesalers and directly to consumers would be required to pay the tax on each basis, and auditing of these returns would be extremely complicated and laborious.

When the activities of the Social Security Act take full effect wage records may be built up which will run up payments as high as $85 per month. For the first few years of the operation of the act after benefits begin to be paid the amounts will not reach this level. However, under old-age assistance it is already possible for any State to match Federal funds up to $15, making a total of $30 payable to an aged individual monthly. The question that has disturbed my mind ever since I learned of the Townsend proposals is the effect that they would have on our national economy. Particularly I have wondered whether the very limited increase in the amount of money that the aged would receive was justification for the economic disturbances that would result from the enaction of the Townsend proposals.

The evidence which I have so far presented certainly indicates that these disturbances may well be expected to take

place. Even Dr. Townsend recognizes that such disturbances will occur, although he does not seem to be very much concerned about them. As an example of his attitude toward the small-business man, the retailer, and the middleman, I submit excerpts from his testimony before the Ways and Means Committee:

Hearings, page 622:

Mr. McCORMACK. All right. I am trying to get your state of mind. When you drive out the middleman and bring the producer and consumer closer together, the middleman is closed out; isn't he?

Dr. TOWNSEND. Sometimes; yes.

Mr. McCORMACK. And the middleman, on the average, is the small and independent businessman. That is true, isn't it?

Dr. TOWNSEND. That is right.

Mr. McCORMACK. And you can't do that without creating another social problem, because that affects millions of people now employed by the middleman.

Dr. TOWNSEND. Let us create all the jobs we possibly can.

Mr. McCORMACK. In other words, as a result of this bill the middleman will be closed out. * * *

Dr. TOWNSEND. That is going to happen to him anyway under the present competition.

Mr. McCORMACK. In other words, he faces extinction?

Dr. TOWNSEND. Yes.

Mr. McCORMACK. Don't you think we should try and do something to preserve the man?

Dr. TOWNSEND. No; I don't. I think he is a useless appendage in the profit scheme. * * *

Hearings, page 625:

Mr. DUNCAN. I believe you stated to Mr. McCORMACK that it would probably have the effect of eliminating the middleman to a very large degree.

Dr. TOWNSEND. Yes, sir; it might. * * *

Mr. DUNCAN. And you likewise stated that if he couldn't survive under a system of taxation of that kind that he ought to be eliminated.

Dr. TOWNSEND. Yes. * * *

Hearings, page 655:

Mr. McCORMACK. You conceded this morning that the average retail store, the average middleman, would have passed on to him from 8 to 10 transactions taxes, and he could not compete with the large concern that had only 3 transactions taxes.

Dr. TOWNSEND. He will not compete.

Mr. McCORMACK. And he is going to be squeezed out.

Dr. TOWNSEND. Yes, sir.

Mr. McCORMACK. What is going to happen to him?

Dr. TOWNSEND. He will go into service jobs, the way the rest of the people will.

Mr. McCORMACK. In other words, business will become highly monopolized in America?

Dr. TOWNSEND. Yes; it is bound to be highly monopolized.

Well, my friends, if that is what you are aiming at, vote for this bill. It is not what I am aiming at at all.

This tax is a tremendous burden, and will be a tremendous burden, also, upon the farmers. You heard me read some of the testimony taken the other day before our committee when the gentleman from Kansas [Mr. HOPE] was speaking, and the opinion of everyone who appeared before us is that the farmer most of all is the one on whom the incidence of this tax is going to fall first. There appeared before us as a witness Dr. John Lee Coulter, formerly president of the North Dakota Agricultural and Mechanical College, and a former member of the United States Tariff Commission, a recognized expert on both agriculture and economics. In the course of his testimony he stated (page 981, hearings):

My feeling is that the methods proposed in H. R. 2 to raise revenue necessary to put such a program into effect would be a tremendous burden upon agriculture, far out of proportion to the burden on the rest of society; and that the benefits coming to agriculture, if any, would be disproportionately small.

I would like to develop that point just a little. Unless agriculture is able to secure for the products of the soil prices which are reasonably in harmony with other prices, farmers in turn are unable to purchase from the market and their position is disadvantageous.

The reason for that, fundamentally, is that farmers sell their labor in the form of prices received for goods rather than in the form of wages or salaries.

Hearings, page 986:

Let me, then, just briefly go back to these three points, only to enumerate them, and which my study discloses. First, that such a program as this, a method of raising revenue for the purpose stated, would have as its first great repercussion a tremendous increase in the disparity between the status of farmers and other groups. It would come on the one side by the advancing of costs and prices, becoming excessively burdensome to the farmers, and, on the other side, depressing the price of farm products in this country, making their situation even more difficult.

On later examination the following colloquy occurred—page 1002:

Mr. McCORMACK. Any Member who voted for this bill, who comes from an agricultural district, would be voting directly contrary to the best interests of the people of his district?

Dr. COULTER. I think so.

I endeavored to point out this afternoon that labor, no matter of what type, would be at a decided disadvantage under this bill. While manufacturers are given a one-half of 1-percent tax all wages will be taxed 2 percent. Careful reading of the bill will disclose that statement is true beyond peradventure. The chairman of our committee read you earlier this afternoon from a letter from President Green, of the American Federation of Labor. Let me now quote you testimony given before our committee by Vice President Matthew Woll of the same organization, hearings, page 1351.

Mr. WOLL. I thought I had made that very clear in my original presentation, where we said, of course we do not believe in any system that would give benefits to all people regardless of need, and the Townsend bill, of course, is predicated entirely upon right and not on the matter of need. There is no question about it; we are opposed to the Townsend bill, and the principle underlying it.

Mr. DUNCAN. If the philosophy underlying the Townsend bill is that of economic recovery rather than relief to the aged——

Mr. WOLL. Then it would be only a temporary measure and would not involve a permanent system, unless we are to understand the country is constantly under an economic depression that needs recovery.

Mr. DUNCAN. And any economic system that would take purchasing power from one group, which is spending all the money it earns, and give it to another group, would not likely increase the purchasing power of the public generally, would it?

Mr. WOLL. Nor would it be a sound economic system.

Mr. DUNCAN. And the transactions tax of 2 percent upon each transaction as a commodity moves in commerce would likely fall more heavily upon the group that you represent than upon any other group in the Nation?

Mr. WOLL. We realize that the wage-earning group, representing the great mass of our consumers, is the one ultimately to bear the burden of taxation, no matter what form it takes.

No Representative in Congress who has at heart the welfare of the laboring man can afford to return to his district and report that he voted to tax wages 2 percent and also tax similarly every product that the laboring man has to buy.

Dr. Townsend believes in the principle of enforced spending of the annuity and has had that principle included in this bill. I quote his testimony as shown on page 652 of the hearings:

Mr. McCORMACK. Do you believe in the principle of enforced spending?

Dr. TOWNSEND. For this coming generation; yes.

Mr. McCORMACK. You do not believe in saving, then?

Dr. TOWNSEND. No, sir.

There are some of us who still think that there is a virtue in thrift and a virtue in providing for our own future to the best of our ability. We cannot agree with the principle of a uniform and universal benefit nor with the principle of dissipating income as it may be received. There is not a large enough national income possible in this country to take care of the needs of everyone over 60 without their having done something themselves to supply a reservoir upon which they may likewise draw. For that reason, too, I feel that this bill should be defeated, because it proposes to inculcate in the minds of the coming generation what is a false philosophy.

It is noteworthy that throughout our hearings Dr. Townsend never produced the evidence of a single businessman, a single economist, or a single student or authority on banking and currency in the support of his proposal. He evidently did not care to. I quote from the hearings at page 620:

Mr. McCORMACK. Have you gotten the opinion of any economist, which opinion supports your claim?

Dr. TOWNSEND. No; and I wouldn't give a hoot for the opinion of the average economist, because they are basing their opinions on events that have passed and gone forever * * *.

But, after all, the only way that we can predict the future is in the light of the past and of what we are undergoing at the present. The verdict of disinterested observers has been unanimously against the fundamental principles that this bill represents, and it should be defeated on the evidence of the hearings, if for no other reason.

In conclusion, I again call your attention to the admitted economic disturbances that will follow the adoption of this bill. Not the least of these is that it proposes to repeal, effective immediately, titles I, II, and VIII of the Social Security Act, dissolving every State old-age assistance plan in the United States by withdrawing Federal aid, depriving workers who have obtained wage credits under title II of the benefits that they may some day receive, and for what purpose? That for the next 4 months and 19 days following the enactment of this law there may be collected into the Treasury of the United States an enormous sum to be hoarded there against the day when the first annuities shall be payable under this bill. If the intention of the proponents of the bill is to bring about an inflationary effect on our currency in the long run, certainly the immediate effect will be deflationary to a high degree, and it may be that some of our industries will never be able to recover from that 4 months and 19 days. As Dr. Craig, the president of the American Retail Federation, told the committee, if we just put through some scheme which cannot be borne financially it will collapse and everybody will suffer. Let us not take that fatal step today.

I have not spoken of the phraseology of the bill, of the half-baked condition in which it has been presented. Your attention has been called to that by others. It does not require legislative counsel to recognize the absurdity of some of the language or to see at once the defects and contradictions of the section on definition and that on taxation. No one who claims that he is entitled to recognition as a legislator, no matter what his views may be on the principle of the Townsend plan, can afford to vote today to pass this monstrosity. None of you can afford to assume responsibility for the results that this bill will accomplish. The economic revolution which its proponents have predicted would result from its enactment would be the revolution of the laborer, the retailer, and the farmer against the bill itself.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Oregon [Mr. ANGELL].

Mr. ANGELL. Mr. Chairman, we are not going to kill the Townsend bill by barroom jokes or by ridicule.

I put in the RECORD a short time ago a report of resolutions from 18 sovereign States of the United States of America that have petitioned this Congress to take some action on this proposed legislation. I challenge anyone to produce any other measure where so many States of the Union by formal action of their State legislatures have petitioned the Congress, as they have a right to do under the Constitution, to give heed to a piece of legislation.

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

Mr. ANGELL. I am sorry; I have not the time to yield.

In addition to that, in my own State this matter was placed upon the ballot in a formal election and 183,000 of my fellow citizens voted in favor of a constitutional amendment embodying this Townsend legislation. Almost every State in the Union, and I believe every single State in the Union, has numerous clubs belonging to the Townsend organization from Oregon to Maine and from Canada to the Gulf. They are intelligent, honest, straightforward Americans, and that is the reason I stated in my opening that you cannot, by jokes or by ridicule, kill a movement of this sort, because, fundamentally, it has as its purpose taking care of the old people of America, those men and women who have led the way in making America what it is today. They have turned America over to you and to me. It is our duty when these old folks have been thrown out of employment by our industrial system to provide for their care and support in a decent American way. This legislation will do that. We have voted billions for war and other activities but we lose our voices when we are asked to vote for an adequate old-age pension. The Ways and Means Committee has had this legislation under consideration for 4 years. They have had hearings on it for almost 4 months of this session. The committee now brings the legislation to the floor of the House and have not suggested a single change or amendment. Neither have they presented any substitute bill in its place. If we are sincere in our support of adequate old-age pensions, we should vote for this bill. It is our only opportunity to vote for such legislation. The amendments now proposed to the social-security law will not provide for our old people. [Applause.]

Mr. Chairman, the bill under consideration, H. R. 6466, is known as the General Welfare Act and embodies the Townsend program for national recovery and old-age assistance. In the Seventy-fifth Congress the bill was known as H. R. 4199, which bill was reintroduced in the Seventy-sixth Congress and carries the title H. R. 2. The present bill, H. R. 6466, is identical with H. R. 2 with the exception that it carries Dr. Townsend's amendments, chief of which is the change in the tax formula. The purpose of this bill, as defined in its title, is to provide for and promote the general welfare of the United States by supplying to the people a more liberal distribution and increase of purchasing power, retiring certain citizens from gainful employment, improving and stabilizing gainful employment for other citizens, stimulating agricultural and industrial production and general business, and alleviating the hazards and insecurity of old age and unemployment; to provide a method whereby citizens shall contribute to the purchase of and receive a retirement annuity; to provide for the raising of the necessary revenue to operate a continuing plan therefor; and to provide for the appropriation and expenditure of such revenue.

Many people to whose attention this program has been called misconceive its purpose. A great many of our people have been led to believe it is a scheme for the redistribution of wealth and the payment to our citizens who are 60 years of age or older the sum of $200 per month. As a matter of fact, the purposes of the act are twofold: First, to provide for a solution of our economic troubles with which we have been wrestling now for almost 10 years; and, secondly, to provide a reasonable income for our senior citizens 60 years of age or over sufficient to care for their needs according to the American way of living. The program is national in scope and will permit every person in the United States who is 60 years of age or over or who attains that age after the passage of the act, and who has been a citizen for at least 5 full years, to receive the benefits provided by the act, namely, an annuity payable monthly during life. The annuity shall begin the first day of the calendar month following the approval of the application by the Secretary of the Treasury. It is provided that the annuitant shall not engage in any gainful pursuit and is required to spend all of each month's annuity during the calendar month for which it is received, or within 5 days thereafter, within the United States or its Territorial possessions or while traveling between the States and such Territorial possessions. The annuity funds must be spent for services rendered by citizens of the United States, commodities manufactured in the United States, the purchase or rental of a home, or for the support of a dependent spouse and children. Certain portions may be expended for debts and to purchase life insurance. A person forcibly confined in any penal or other institution is not entitled to the annuity. Any portion or all of the annuity may be waived, and the receipt thereof is voluntary.

General supervision of the act is placed on the Secretary of the Treasury, who mails out the annuity checks monthly from Washington, D. C. Forms of applications for the annuities are made available under the act through the Post Office Department, and returns shall be filed with the local post office. Local postmasters are authorized to administer oaths on returns requested to be filed for the annuities, for which a 25-cent charge for each verification is made. An

applicant for an annuity may secure legal advice with respect thereto from the United States district attorney for the district in which he resides. Provision is also made for jurisdiction in the United States court in an informal proceeding to hear petitions of any annuitant who feels aggrieved. The filing fee for such petitions is $1. There shall be no other court cost in connection with such hearings and determinations.

In order to provide funds for carrying out the provisions of the act a gross-income or business tax is imposed. It provides a privilege tax of one-half of 1 percent on persons engaged generally in the business of selling tangible personal property as a producer or in selling at wholesale any tangible property, or in manufacturing any articles or commodities. There is a tax of 2 percent imposed on all others engaged in any business, trade, occupation, or calling. National banks and certain other societies and organizations which do not operate for profit are exempted from the act. Returns must be made by those subject to the tax monthly at the end of each calendar month during which such taxes become fixed and chargeable. The return is mandatory and must be sworn to, and the return delivered within 10 days from the expiration of the calendar month which it covers. The Secretary of the Treasury is charged with the responsibility of enforcing the payment of the taxes and depositing the same in the United States Treasury, which are required to be kept in a separate fund in the Treasury Department to be known and administered as the general welfare fund. Provision is also made that all such revenue shall be disbursed only for the payment of sums expressly authorized by the act and for no other purpose.

It is provided that the funds thus collected shall be used for the payment of proper and necessary expenses of administration, and the balance shall be paid and distributed pro rata monthly to all qualified annuitants who are of record and whose applications for annuities have been approved, at the end of the twentieth day after the last day of the calendar month for which the revenues are collected. The total amount of funds available for distribution under the terms of the act shall be divided by the total number of annuitants entitled to share therein, and the result shall be the pro rata amount to be distributed to each respectively. The amount which will be available for distribution to the annuitants, therefore, is a variable sum and can only be determined at expiration of each month, measured by the receipts from the tax imposed. However, there is a ceiling of $200 per month to any one annuitant. It is generally conceded under existing economic conditions and the volume of business now being conducted in the United States that the maximum payment will not be reached; in fact, Dr. Townsend has been quoted as saying recently that under present business conditions it is not expected that a sum in excess of $50 a month will be available.

In broad outline the plan is a simple one, providing the imposition of a gross income or business tax graduated to promote the general welfare and to provide a fund for meeting old-age annuities on a pay-as-you-go basis. It is believed that the increased volume of trade which will result from the purchasing power made available through these annuities will enable business generally to go forward, and that this much-needed stimulus to business will largely relieve those engaged therein from the burden of the tax. It is argued that the imposition of such a tax will increase prices to the consumer. This is not necessarily true. If by reason of the incentive given to business by the creation of this large purchasing power and the resulting increase in business activity among those who must produce the merchandise and goods to supply this trade, merchants and others who must pay the tax are able to increase their volume of sales, they may still sell at the same unit price and receive profits largely in excess of those previously received. This principle was clearly demonstrated in the growth and development of the automotive industry. Automobiles today may be purchased for a price equal or below the price obtaining when the industry was new, notwithstanding the automobiles now being sold are doubled in value. The whole chain-store idea is based on large volume and frequent turnover of capital investment with low-unit profits.

Under the General Welfare Act the public will be benefited by the elimination of a large portion of the expenditures now being required for relief, W. P. A., community care for the aged, and for unemployment generally. Administrative expenditures for W. P. A. were in excess of $5,000,000 a month from July 1938 to January 1939. Four million dollars a month was spent for personal services. There were 1,902 administrative employees in Washington and 32,670 in the field. Their salaries range up to $9,000 a year. The monthly W. P. A. expenses for travel and subsistence is $500,000. Telegrams and telephones cost $150,000. In 1936 the W. P. A. expenditures aggregated $1,270,235,065; in 1937, $1,833,456,971, and in 1938 they totaled $1,427,701,994. For the current fiscal year they are the stupendous sum of $2,250,000,000. In January 1938 there were 1,900,000 persons on W. P. A. pay rolls. In January 1939 the number had increased to 2,996,000 persons. In 1913, the Federal Government had 469,000 civil employees, and in 1939 the number was 863,000. In 1913, the carrying charge on the public debt was $22,900,000, and in 1938, $926,200,000—40 times as much. In 1913, the total expenditure of the Federal Government was $724,500,000, and in 1938, $7,700,000,000—an increase of 961 percent. This record clearly demonstrates this program has not stimulated private employment and it is not the answer to the unemployment problem.

A considerable number of those who will qualify under this law as annuitants are engaged in gainful pursuits, and the positions held by them will be freed for younger citizens. A survey by the Brookings Institution shows American resources and plant capacities are ample to provide the American standard of living for all of our citizens, and under mass production as now carried on in the United States there is sufficient manpower under the age of 60 to man the machines and do all the Nation's work. Under this program those 60 years of age or over who are the beneficiaries of the program are not drones deriving their sustenance from the community at large. They are American citizens who have done their share in carrying on the work of the Nation during the productive years of their lives. Under the stern economic rules of the machine age in which we live workmen, who by reason of age are unable to keep the pace set by relentless competition in mass production, must step aside. They must give way to younger workmen. Society, which by its laws permits this condition to exist, and industry, which profits by it, must assume responsibility for the workmen cast off the pay rolls and provide for those who are no longer permitted to follow gainful pursuits. They are cast aside by industry, and industry in turn must assume the burden of their care. Industry should welcome a universal tax for that purpose. The law being universal in its application will give the same opportunity to every citizen of 5 years' standing upon attaining the age of 60 years. Those who contribute today may be the recipients of the annuity tomorrow. The tax takes its toll from every transaction, which spreads its burdens to everyone. Our present-day industrial system, with mass production and the profit motive, cannot escape its responsibility if it is to endure. It cannot cast off its worn-out workers when they reach 60 years like old horses turned out to shift for themselves or die. Industry, which has created this backwash of discarded laborers too old to carry on, must assume the responsibility of caring for them. The Townsend plan will require industry to do this. A small tax on industry will create the fund to retire these workers. The only plan that will work must be universal, covering all groups and all citizens who attain the required age and who wish to participate. It is based in broad outline upon the same underlying principle as that in the existing Social Security Act, in that all citizens of the Nation are contributing to this fund to provide annuities for everyone upon attaining the age of 60

years who desires to avail himself of its privileges. The Social Security Act applies only to limited groups, while this act will apply to all groups.

After 8 years of the depression there are still substantially over 10,000,000 of our people unemployed. There are approximately 3,000,000 on relief. Trade channels are clogged, and the wheels of industry to a large extent are motionless, and our whole economic and social structure is bogged down. The social-security program, the relief set-up, borrowing and spending, and all other remedial legislation that has been enacted to solve these problems have failed miserably to bring back prosperity.

The social-security program for old-age assistance has not worked out as planned. It was a commendable effort looking toward social justice. Its old-age relief program needs fundamental amendment. On August 14, 1935, our Social Security Act became effective. It is computed that under title II there will have been collected up to June 30, 1940, $1,826,000,000. This is exacted from the industries of America and some 40,000,000 workers. Out of this huge sum, however, we will have paid only $60,000,000 to the beneficiaries. Approximately 3 cents out of each dollar will go to the beneficiaries and 97 cents for the reserve account. The employers are now taxed 1 percent of the pay rolls and the employees a like amount. The employers, however, are paying 3 percent for unemployment insurance.

Under the schedules of the act these taxes will increase until 1949, when the employers will be required to pay 6 percent and the employees 3 percent, making a 9-percent payroll tax taken directly out of industry. It is patent that this tax is and will be added to the cost of the goods produced and, therefore, will fall upon the consuming public. Should the provisions of this act be carried out and the full amount of taxes exacted, the reserve account will have, by 1980, nearly $47,000,000,000. Furthermore, the social-security law is much restricted in its application and affords relief to only a selected group of workers rather than to all senior citizens equally deserving. This huge sum of money exacted from industry and workers is not being devoted to the relief of the beneficiaries, the workers, but is being used to finance the ordinary activities of the Government. Statisticians and economists tell us that it is not necessary to carry a full reserve account to protect these payments. This is apparent to the layman as well. These funds collected as trust funds, having been spent by the Federal Government to meet its running expenses, necessitate the levying of taxes hereafter to pay the beneficiaries as the obligations become due. The plan should be revised, or superseded by another plan, so framed as to cover all senior citizens 60 years of age or over, and with tax provisions designed to raise only such funds as are needed on a pay-as-you-go basis, with a contingency fund sufficient only to meet emergencies. The funds so raised should be restricted to the use for which they were raised.

Mr. Roger W. Babson, the outstanding financial expert, said:

> If the social-security system is not changed, I doubt very much if the young people of 20 to 30 years of age will ever receive any benefit from it. When their time arrives to get their $40, $50, or $60 monthly Government check, it may not even buy a pair of shoes or a roast of beef. The Townsend plan, on some reasonable basis, is far safer.

And the economist, John T. Flynn, testifying before the Ways and Means Committee of the House, said:

> Over the next 40 years what they are actually going to do under the guise of creating a reserve is to collect $47,000,000,000 more than they pay out, and this $47,000,000,000 is never going to be paid back in any form to the social-security system.
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> I want the Government to stop collecting money it is not going to use for social security. * * * Next year it is going to take $714,000,000; it is going to pay out $22,000,000 in benefits and spend $52,000,000 to run the system, making $74,000,000 in all, and it is going to borrow the balance and use it to pay the expenses of running the Government—maybe buy a battleship or two and a few other things. That money is never going to be used for social security.

Dr. A. L. Epstein, executive secretary of the American Association for Social Security, referring to the social-security law for old age, said:

> Moreover, to the extent that our system, contrary to that of any other nation, and therefore, again, to the extent that our system contemplates the private insurance system of reserves, and seeks to build up in the worst years of depression, in the years when we need every penny we earn to spend, in years when we are saving all our lives to get money for that purpose, when we in these years of the worst depression are trying to save money, then trying to take out in taxes billions of dollars more than we are actually paying in benefits, obviously what you are doing is deliberately not to create social security, not to increase or enhance security of the workers, but deliberately to decrease the purchasing power of the workers and to enhance unemployment and enhance depression.

The immense sums of money being exacted from employers and employees under the social-security program for old-age assistance are being spent as received for carrying on the ordinary activities of the Government. In the place of the tax dollars he has collected, Uncle Sam is placing I O U's in the till. Eventually when these annuities must be paid the Government will have to levy another tax upon the American people to meet these obligations. This in effect is a fraud upon industry and upon our workmen who are compelled to pay these taxes. The taxpayer's burden has increased threefold in the last 7 years, notwithstanding that our deficit has averaged $3,000,000,000 a year, and the public debt has increased over twenty-three billions, now exceeding forty billions. We are piling this immense debt on the backs of future generations and are squandering the borrowed money on ourselves.

Under this bill, section 9, titles I, II, and VIII of the Social Security Act are repealed and these heavy burdens placed upon employers and workers will be eliminated. In its place will be substituted a pay-as-you-go program; the moneys collected from business transactions will be used as collected for paying the annuities, and this large volume of money at once will go back in the channels of trade and will constitute the blood stream of industry.

Dr. Arthur J. Altmeyer, Chairman of the Social Security Board, before the Ways and Means Committee, said:

> The unemployment compensation funds collected from employers, and in a few States from employees also, are usually spent immediately for food, clothing, shelter, and other family essentials. In other words, they go back into the community from the cash register of the local merchant. They flow right into the business of the State and the Nation.
>
> Experience has already proved that benefit payments help to maintain workers' purchasing power and thereby to stimulate lagging business and industrial activity. This is particularly evident in a small, one-industry community, where lack of work in the past has meant that a large part of the wage-earning population was deprived of income. In such communities, as well as in larger cities, the payment of benefits to unemployed workers during the last recession has prevented serious losses to retail business and to the service industry, and as a result has tended to maintain employment levels in those businesses.

The great need of America today is purchasing power in the hands of the rank and file of our people. America is a rich nation. It is blessed with immense natural resources. We have the greatest industrial plants and hydroelectric power of any nation ready to start production. We have idle manpower, skilled and intelligent, waiting for the green light. We have two-thirds of the world's gold supply and our banks and savings institutions are bulging with money awaiting investment. If normal purchasing power were restored to America, these funds could be released in investments, restoring and increasing our industrial plants and manufactories to take care of the immense volume of trade that would arise. These savings locked up in depositories means stagnation in business and unemployment. Much of it should be released in the heavy-goods industries. We have the great American market, the finest in the world, waiting to purchase the commodities of our field and factory. This market is equal to 500,000,000 Europeans and 1,000,000,000 Asiatics. The whole economic and industrial machine only awaits the formula which will start the wheels turning. With purchasing power restored will come jobs for the unemployed and purchasers for our

commodities from the farms, the mills, and the industries. The purchasing power provided for in this bill will supply this need. The forced spending for American goods will bring business revival and relieve unemployment. At the same time we will be giving decent treatment to our old people, many of whom now are in dire want.

The American people are pension minded. The Gallup poll recently made shows that 94 percent of our people favor a reasonable old-age pension. Eighteen States of the Union have petitioned Congress to consider this legislation, namely, Arizona, California, Colorado, Florida, Georgia, Idaho, Indiana, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, North Dakota, Oregon, South Dakota, Washington, Wisconsin, and Wyoming.

This plan is not merely a pension program, but provides for national recovery and is a philosophy of life founded upon sound American principles. The legions of supporters of the movement in every State of the Union are loyal, patriotic, earnest American citizens pledged:

First. To uphold and defend the Constitution of the United States.

Second. To stand against the surrender of any of our traditional American liberties.

Third. To oppose fascism, communism, or any other form of dictatorship which may menace the traditional form of American government.

Fourth. To strive for a higher standard of living for the underprivileged classes.

Fifth. To stand as a safeguard of the American tradition against racial, political, or religious intolerance.

Sixth. To foster and promote better citizenship by educating the voters to safeguard their own interests.

The haphazard old-age pension laws as they are being administered in the 48 States are a poor subterfuge for old-age assistance. The monthly payments vary in every State and usually in every county. The reports of the Social Security Board show the average payments last year ranged from $4.74 in Mississippi to $32.30 in California. A miserable pittance for the full care and support of our old people. America, the richest nation on earth, should bow its head in shame at such pittance for our old folks who made America and gave it to us.

The old-age security law has failed to solve this social problem of affording relief to our old people; on the other hand, it has exacted unnecessary, burdensome taxes from workers and employers alike, impeding business and halting recovery. It is limited in its applications to selected groups. It rests upon the fiction that these taxes are to be used for relief payments, whereas the money is immediately spent for Government activities. It stifles industry and robs the wage earner, giving little relief. The Townsend plan, on the other hand, is a pay-as-you-go program. It is universal throughout the United States in its application, covering all citizens 60 years of age or over, otherwise qualified. It is a sound American plan. It will create purchasing power. It will start mills and factories. It will provide pay rolls. It will afford an immense market for American products and will lead America back onto the high road to prosperity. It will provide food, clothing, and shelter for our senior citizens, many of whom are now destitute.

Mr. Chairman, I believe no legislation now pending before this Congress or which has had the attention of the Congress in the last several sessions has received more universal approval than the Townsend program. Almost half of the States of the Union through formal action of their legislative bodies, as I have heretofore shown, have urged upon the Congress to give attention to this legislation. From every city, hamlet, and countryside all over our Nation from Maine to Oregon come to us the pleas of our fellow countrymen to enact this legislation. My own State legislature and 183,781 of my fellow citizens, a majority by popular vote at a regular election, have urged this course. For 5 years they have been waiting for the enactment of this program. I urge you to give the bill your approval.

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Ohio [Mr. ROUTZOHN].

Mr. ROUTZOHN. Mr. Chairman, I would not impose myself upon the Members of the House this afternoon if I did not feel that I might have something constructive to offer. We have had a general debate here this afternoon and are nearing the close of the time limit. Up until this time, and I have listened attentively, I have heard nothing more than an apology on the one hand and ridicule on the other because of the admitted weakness of the bill. We have just heard expressed on the floor of this House by the gentleman from California [Mr. BUCK] that the Townsend plan has been in this House under consideration for 4 years, since 1935, I believe the gentleman said. It seems to me that within 4 years we should have been able to solve the old-age pension problem, but we have not, and the indications are that this bill is not going to be passed this afternoon or tomorrow morning. I believe the vote is scheduled for tomorrow morning. That means that we will not solve the problem this year. The most cruel and inhuman treatment that we can possibly inflict upon the old people is to continually buoy up their hopes and then do nothing for them but merely discuss their problem, as we discuss the weather, and do nothing about it.

During my campaign for election to Congress in the fall of 1938 I received the support of the regular Townsend organizations, notwithstanding the fact that a third candidate in the field was an avowed Townsendite.

The national Townsend organization approved my candidacy over that of this third candidate who ran as an independent, my other opponent being the incumbent who was then on record as unalterably opposed to the Townsend plan.

Furthermore, a number of fine men and women who were loyal members of the Townsend clubs in my district worked diligently and faithfully in my behalf.

On October 23, 1938, a meeting was held in Memorial Hall, Dayton, Ohio, when L. W. Jeffery, vice president of the national Townsend organization, and my good friend, the Honorable RALPH O. BREWSTER, spoke in favor of my candidacy.

At that meeting I read the following as a statement of my position regarding the Townsend plan:

> If elected, I shall do everything in my power to obtain proper and fair hearings of the Townsend plan before the committee. If such hearings are denied, I will be glad to join in a petition to bring the proposal to the floor for adequate discussion, and thus let every Member go on record. Hearings before the committee or in the House will allow the Townsend organization the opportunity to prove the merits they claim for their program. If these claims can be established as meritorious, naturally I will support it as, I believe, every other well-meaning Congressman will then do.

The third candidate heretofore referred to used this statement as evidence of my failure to commit myself in favor of the legislation specifically proposed by the Townsend organization. At no time have I minimized or attempted to minimize the results obtained through the work and support of the Townsend organization and its members. At no time have I ceased to be grateful to both organization and membership for their generous efforts in my behalf. Also, at no time has the organization or anyone in authority asked, or attempted to exact, any more from me than what I voluntarily offered in the statement just quoted.

Referring to my statement, it now can be said that Dr. Townsend has admitted that the Ways and Means Committee has granted to him and his witnesses a full, fair, and complete hearing. Although it did not report his bill out favorably, it did the next best thing by reporting the bill without recommendation. Also, it is conceded that the Townsend movement has been rewarded by a consideration of the bill this day on the floor of the House.

Personally, I would have much preferred a rule which would have permitted a longer time for debate and also would have permitted amendments to the bill.

Still referring to my statement, ever since I made that statement I have devoted a great deal of thought, research, and

effort in order to acquaint myself with the subject matter of the proposed legislation. I also have sought the advice and counsel of those connected with the movement.

This was done, all of it, in the hope that I might cooperate as much as my understanding and convictions would permit. My attitude has at all times been, and still is, friendly and with a desire to be of practical help in solving the old-age problem.

While the plan has never appealed to me as a recovery measure, I am profoundly interested in the desire to solve the problem of adequately supporting and maintaining the aged. For many years I have been a director of the Montgomery County (Ohio) Humane Society, the functions of which deal in part with the care of the aged. For many years I have been a member of the Fraternal Order of Eagles, the original organization to agitate and sponsor old-age pension legislation. I retained my membership in this organization principally because of its constructive and effective work performed in behalf of the aged throughout the States of the Union.

I have stated these things as what I consider positive proof of my interest in old-age pensions and unaffected by any political considerations.

The bill before us for consideration contains departures from the taxation proposed in the original bill, known as H. R. 2. I regret that this bill was not filed at a date earlier than May 23, which, if filed earlier, would have permitted the obtaining of more information as to its practicability.

However, one need go no further than to consider the constitutionality of its provisions in determining whether or not he would be warranted in supporting the bill.

In the light of the decisions of the Supreme Court of the United States heretofore rendered, it is obvious to anyone trained in the law that before this bill would ever become effective as law it would be subjected to attacks in the courts on the ground of its unconstitutionality.

Dr. Townsend has long since been advised of this legal impediment, and I have been informed that he wrote the chairman of the Ways and Means Committee suggesting a constitutional amendment which would provide for the levying of a tax and the earmarking of the funds derived therefrom for old-age pension purposes.

Bills have been introduced by friends of the Townsend plan, who have been cooperating with Dr. Townsend, to submit such a constitutional amendment. Thus, it cannot be said that I question the constitutionality of the bill as a subterfuge.

It has been suggested that the Congress pass the bill and at the same time pass on to the courts the responsibility of determining the constitutionality of the provisions of the proposed legislation. I cannot countenance such a suggestion. The oath of a Congressman implies, even if it does not specifically state, that a Congressman shall conform to the Constitution in the performance of his duties in enacting legislation as much as a Justice of the Supreme Court in his decisions must abide by the Constitution.

Nor can I consider the argument that the social-security law contains unconstitutional provisions, as an excuse for supporting this measure. Two wrongs never can make one right.

Heretofore, at this session of the Congress, I have voted against certain other proposed legislation because I considered such legislation unconstitutional. In my best judgment this proposed bill is unconstitutional and my sense of duty impels me to vote against it because of this fact.

It is, therefore, unnecessary for me to discuss the feasibility and practicability of the plan outlined in the bill. It would be unjust and unfair, yes, inhumane and cruel, to pass this bill and thereby raise false hopes in the hearts and minds of those who are expectantly yearning for the enactment of a law that will give them protection against want and misery in their declining years.

It would be better for the old folks if no law ever were passed providing pensions for them than to pass a law that would not fit into the governmental and economic structure of our Nation. The present patchwork of social security and old-age pension enactments is anything but practical, adequate, or comforting.

Some general law must and eventually will be evolved and will meet the needs that all fair-minded citizens will admit exist.

I have earnestly desired and sought for enlightenment on this subject that I might be helpful in solving the problem. I have not, at least at this time, any panacea to offer. I have recognized the fact that the anxiety of our aged people for protection and help furnishes a temptation to exploit the aged and work upon their sympathies and gullibility.

I also have noted that the old-age pension problem is apt to become a bone of contention for party and partisan strife.

I, therefore, have a plan to submit that will, in my judgment, tend to clear the way and to eliminate predatory schemes and party issues.

The plan is simply the creation of a bipartisan and, if possible, thereby a nonpartisan commission that will be charged with the duty of submitting to the Congress a report based upon a thorough and complete investigation of all plans now proposed or later suggested to the commission.

My thought of removing the commission from all partisanship is by the appointment of 11 individuals, 4 from the Members of the House, 4 from the Senate, and 3 to be appointed by the President. The Presidential appointees are to come from private life.

I shall file a joint resolution embodying my plan after vote is taken on the pending bill, assuming that a motion to recommit, which the Republicans will offer as a constructive measure, will be defeated, and likewise assuming that the bill will be defeated.

I ask you to consider this modest contribution of mine and add to or subtract from its provisions whatever you may deem fit and proper under the circumstances.

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

Mr. COOPER. Mr. Chairman, I yield 3 minutes to the gentleman from Washington [Mr. SMITH].

Mr. SMITH of Washington. Mr. Chairman, I have studied the principles of the Townsend old-age pension and national-recovery plan for the past 5 years and am now the only member of the first steering committee, organized in 1935, who is still serving in Congress, and I am still serving actively on the steering committee. During all this period we have had the support and cooperation of many fine, able, patriotic Members of this House, and they are all entitled to share in the credit for the progress which we have made with this legislation. As is the case with all major legislation, we have had a difficult struggle in advancing our various bills and have encountered the usual opposition to all our proposals, much of which has been founded upon misunderstanding and misinformation.

H. R. 2—H. R. 6466

At the beginning of this session H. R. 2 was introduced by our colleague from Florida [Mr. HENDRICKS]. It provided for the payment, financing, and compulsory expenditure of a Federal monthly old-age pension of not to exceed $200 per month to all law-abiding citizens 60 years of age and past by levying a 2-percent transactions tax. That has been the proposal which I have discussed here in Congress and before many public gatherings held in many of the largest cities in the country, and before two national conventions, and which I presented at some length during the recent hearings before the Ways and Means Committee. With that proposal and all its various phases I have become thoroughly familiar and have accumulated a mass of statistical and factual information relating thereto.

Now a new bill has been introduced by the gentleman from Florida, H. R. 6466, at the request of Dr. Townsend. It is substantially the same as H. R. 2 and previous Townsend bills save and except that it provides for a slightly different tax formula. Instead of a 2-percent over-all transactions tax,

it provides for a tax of one-half of 1 percent on producers, manufacturers, wholesalers, and jobbers, and 2 percent on retailers, and follows more closely the tax system which has proven such an outstanding success in the Hawaiian Islands. This is a somewhat narrower tax base and not as broad a tax base as a universal transactions tax and would probably not provide as large and prolific a source of revenue. However, I feel that the difference is not great enough to cause any sincere supporter and advocate of the Townsend plan to oppose it on that account, and, therefore, I am accepting the change, although I still prefer the original Townsend bill (H. R. 2). Of course, it does render it impractical and quite impossible for me to use for argumentative purposes some of the facts, figures, and illustrations which I have assembled during the past 5 years of my advocacy of a plan based upon and to be financed by the revenues derived from an all-inclusive 2-percent transactions tax.

TAX FORMULA SIMILAR TO THAT FAVORED IN 1921

The tax formula in the present modified bill is similar to that endorsed by the largest business organizations in America in 1921, in the extended hearings which were held before the Committee on Finance, United States Senate, Hon. Reed Smoot, of Utah, chairman.

On April 5, 1920, from New York, the Business Men's National Tax Committee issued a bulletin in which it said in part:

> It could be collected monthly * * * without the slightest strain on business or the banks * * * it would definitely fix the amount of tax due to the Government at the time of the sale. * * * It is very simple of administration. * * * The books of the taxpayer will automatically furnish the basis for computing the tax. * * * The ultimate cost to the consumer of a pyramided 1-percent tax, even if shifted by each taxpayer, will rarely exceed 2½ or 3 percent. * * * The average number of turn-overs will probably not exceed 5; but even with 10 turn-overs, if the 1-percent tax was shifted each time, the burden on the final consumer would not exceed 5 percent.
>
> The administrative task would be greatly simplified. * * * The gross turn-over tax is based on sound principles. * * * An all-inclusive turn-over tax is practically sound * * * includes all production, agricultural and mineral; all manufacturing; all public service; and all operations by sales, transfers and leases * * * a consumption tax on final sales only is not desirable.

Meyer D. Rothschild, chairman of the Business Men's National Tax Committe, testified (on p. 196) in support of the transactions tax:

> We believe this to be the fairest, most equitable, widely spread, and easily administered tax which can be levied upon business. * * * This form of tax has been carefully investigated by our industry and unanimously indorsed.

Mr. Rothschild filed with the Senate committee (May 20, 1921) what he called a "Primer" on the subject of a 1-percent transactions tax. It contained an estimate of the amount of the tax on various commodities, compiled by the firms that produced them. Here are some of these estimates taken from the official Senate record:

> Granulated sugar, tax estimated by Seeman Bros., of New York, 3.44 percent.
>
> Bread, tax estimated by William C. Cornwell, editor Bache Review, from information obtained from various wholesale and retail dealers in New York City, 2 percent.
>
> Beef, tax estimated from figures obtained from Armour & Co., 1.87 percent.
>
> Pork, tax estimated from figures obtained from Armour & Co., 1.87 percent.
>
> Suit of men's clothing retailing at $40, tax estimated from figures obtained from William Goldman, of New York, 2.34 percent.
>
> Pair of men's shoes retailing at $7, tax estimated by R. H. Hazzard, of Gardiner, Maine, 3.30 percent.

Pair of gloves retailing at $2.25, tax estimated by prominent glove manufacturer, 2.80 percent.

Automobile tire retailing at $35.10, tax estimated by president of the Ajax Rubber Co., 3.25 percent.

Farm machinery: One of the largest manufacturers of farming implements and machinery has given us the following information:

> Owing to the variety of materials entering into the manufacture of the bulk of our products, it is not possible to furnish you with a detailed statement similar to that submitted to you in the case of a suit of clothes. We have, however, carefully analyzed some of our principal machines and, taking all the various factors into consideration, we assume that the total turnover tax in our complicated industry will be equivalent to about 3 to 3½ percent of the retail price of our machines to the consumer.

Hugh Satterlee, representing the Trades Council of Manufacturers' Club of Philadelphia, on page 31, gave this testimony:

> I believe * * * that the most practical tax is a turnover tax on goods, wares, and merchandise * * *. No taxes can be entirely equal * * *. Where every commodity is taxed 1 percent people are not discouraged from buying commodities, but where one particular commodity is taxed 10 percent or higher and other commodities which satisfy the same general needs of the consumer are not taxed at all, the manufacturer who makes and sells that particular commodity loses business * * *. Under the turnover tax the man who spent $100,000 would pay 100 times as much tax as the man who spent $1,000.

C. H. Smith, of the Westinghouse Airbrake Co., Pittsburgh, representing the tax committee of the National Association of Manufacturers, on page 53, testified and in answer to the question put to him by Boise Penrose, then chairman of the Senate Finance Committee, as to the kind of a tax he favored, said:

> A gross sales tax on all turnovers.

Then Chairman Penrose asked:

> You urge it on account of its simplicity and convenience?

And Mr. Smith replied:

> Absolutely.

Lebbeus S. Wilfley, representing the Tax League of America, on page 65, former Attorney General of the Philippine Islands, gave this testimony in support of the turnover tax:

> I represent the Tax League of America * * *. It embraces about 13 States * * *. It (turnover tax) will completely, promptly, and economically collect and furnish a flow of revenue that will be constant and dependable * * *. It will be paid by the whole body of the people, each paying in proportion to the amount of goods he consumes * * *. There is a general feeling that in many lines of industry the turnovers are so numerous that the sales tax will pyramid and accumulate until it becomes a very considerable amount. This is not true * * *. It will be observed that in the creation of a suit of clothes there are normally seven turnovers and that the total tax amounts to about 2½ percent. (This is based on a 1-percent transaction tax.)

Frederick E. Kip, given as "a prominent manufacturer and tax authority" of Montclair, N. J., not only endorsed the transaction of turnover tax but also applied it to the wage worker as a stimulant to employment. He said, on pages 255 and 256:

> Our workers now, as in the winter of 1913, would far rather contribute their share to our Federal expenses through a turnover tax (releasing funds to flow back into industry) and thereby obtain steadier employment and wages. * * * If a worker is out of employment 1 week, it will cost him at least twice what he would pay for a whole year through any 1-percent turnover tax.

Then, addressing the farmers and pointing out the benefits to them, on page 257, Mr. Kip added:

> Nearly all farmers are today in dire need of cash funds to help them over the present disastrous period. * * * Therefore, our farmers are also vitally interested and should be enthusiastically in favor of the present proposed law. * * * It is estimated that the 1-percent turnover tax on all commodities and merchandise will add 2½ to 3 percent. In no case, however, can it add more than 3½ percent.

SIR JOHN AIRD RECOMMENDED TURN-OVER TAX

I desire to quote from an address delivered by the late Sir John Aird, who was president of the Canadian Bank of Commerce, at the annual meeting of shareholders, held at Toronto, Canada, January 14, 1936, according to the text of his speech which I received from him:

> It is now quite generally agreed that continuous borrowing to cover deficits and to maintain social services on the present scale cannot go on indefinitely, and therefore that the most rigid public economy and higher taxation must be faced. Intensive study should be given to the problem of establishing a broader and more equitable basis of taxation. In this connection I again advocate a Nation-wide turn-over tax as more likely than any other new form of levy to meet the need for a balanced Budget.

When he passed away recently he was eulogized in the Canadian press as the "grand old man of banking."

MORGENTHAU RECOMMENDS TURN-OVER TAX OR TRANSACTIONS TAX

Three years ago there appeared in the Washington, D. C., press the statement that Secretary of the Treasury Henry Morgenthau had submitted several alternative tax proposals to President Roosevelt and among them a "1½-percent turnover tax." I suggested to the Ways and Means Committee that they call and question Secretary Morgenthau in regard to this type of taxation but understand that they failed to do so.

JAMES BRYCE—THE HAWAIIAN TAX SYSTEM

Many years ago when James Bryce was Ambassador from England in Washington, he said:

The American form of Government will go on and live long after most of the other forms of government will have fallen or been changed, and the reason is this: In other nations of the world when a new problem comes up it must be tested in a national laboratory, and a solution of the problem must be worked out, and when it is worked out that solution must be applied to the Nation as a whole. Sometimes it may be the correct solution and other times it may be the wrong solution. But you in the United States have 48 laboratories and when new problems arise you can work out 48 different solutions to meet the problem. Out of these 48 experimental laboratories, some of the solutions may not prove sound or acceptable, but out of this experimentation history shows you have found at least some remedies which can be made so successful that they will become national in their application.

This thought-provoking statement by James Bryce, who wrote the monumental work, the American Commonwealth, still considered to be one of the finest treatises ever written on our Government, is absolutely correct. We have recent verification and corroboration of that fact in what has transpired in one of our Territories, the Hawaiian Islands, in regard to their successful experiment in taxation.

I desire to read into the RECORD the following letter which I received from Hon. William Borthwick, tax commissioner of Hawaii:

TERRITORY OF HAWAII,
BUREAU OF THE TAX COMMISSIONER,
April 21, 1938.

Hon. MARTIN F. SMITH, M. C.,
1034 New House Office Building, Washington, D. C.

DEAR SIR: In reply to your question as to why a gross income tax, rather than a transaction tax, I will say that there are few human activities that could not be described as a transaction. Many of them would produce no income. A law attempting to define transactions would require so many exemptions, deductions, etc., that it would be impossible to administer it without great trouble. For instance, a man buying postage stamps is a transaction that does not produce any income. A man could swap a hound pup for a gallon of moonshine liquor, which would be a transaction.

The reason we adhere to gross income is to find out the gross take in any line of work without looking at the number of transactions. It was suggested at the time I was fighting to put over the gross-income tax that we make it a transaction tax. This I refused to do. The gross-income tax here is the most equitable tax that we have, and those who bitterly assailed it and declared it would put them out of business are now its most ardent supporters.

Pardon me for the suggestion, but I believe a little study will reveal that I am right when I tell you that if we had a gross-income tax as a Federal measure, carrying a rate of 2 percent, the money to be spent monthly in the United States in some useful and constructive manner, we could forthwith quit borrowing money and the Federal Government would soon balance its Budget and be run on an even keel.

While I recognize that all of our national borrowings have probably been necessary and are truly only capital investments, a business firm that could get its hands on money by collecting what was due rather than borrowing would certainly succeed in a greater measure than a firm who borrowed money continually, involving them in interest payments.

Before the gross-income-tax law was passed the Territorial legislature appropriated a quarter of a million dollars for each biennium with which to pay interest on its borrowings to finance the Territorial government through lean periods of collection. Since the gross-income-tax law began operating we have always had money in the till and have never borrowed a thin dime, although the cost of government has increased several million dollars in that time.

Thank you for your inquiry. Assuring you of any help I may be able to render you in the future, I am,

Sincerely yours,

WM. BORTHWICK, *Tax Commissioner.*

P. S.—I formerly lived in Olympia and knew many Hoquiam folks and still retain an interest in western Washington.—W. B.

The Hawaiian gross income-tax system has been favored by Dr. Francis E. Townsend since he went to the islands last year, and he brought Hon. Louis C. Silva, official tax expert in the islands, to this country to make an exhaustive study of the proposed tax for the United States. Mr. Silva has been granted a year's leave of absence from his official duties as chief deputy tax administrator for the Territory of Hawaii in order to conduct this survey and investigation. He testified before the Ways and Means Committee, and I quote from his testimony:

This law became effective July 1, 1935. Prior to its enactment, Hawaii faced a deficit of approximately $1,000,000 for the biennium ending June 30, 1935. Salaries and wages of all government employees had already been cut 10 percent, with the prospect of an additional cut just around the corner. The automatic salary increases under Territorial law had been terminated by act of the previous legislature and the functions of government pared to the bone.

In the parlance of Territorial finance, these items presented a very serious problem, indeed, as the amount of revenues required to wipe out the impending deficit, reinstate the 10 percent salary cut, and automatic increases totaled $2,100,000 during the ensuing biennium ending June 30, 1937.

Because of the acute economic situation in Hawaii during the 1933–35 biennium, expenditures had been curtailed to the extent that governmental activities could no longer properly function. Additional revenues were therefore needed during the ensuing biennium to place these activities upon a sound and businesslike basis. This required an additional $3,000,000.

To cope with this serious situation the Honorable Joseph Boyd Poindexter, Governor of Hawaii, created an advisory committee on taxation composed of 13 men representing a cross section of the financial, industrial, agricultural, and business life of the islands. This committee was headed by our present tax commissioner, William Borthwick, as chairman. It was charged with the duty of conducting a thorough study of the Territory's tax structure and consistent with its findings, to offer recommendations for the elimination of any current or future financial ills found therein.

The Governor's advisory committee on taxation employed me as their statistician, with instructions to conduct for them a research and study of all the so-called emergency tax laws throughout the United States at that time.

Upon completion of a year of diligent effort, this committee submitted a very comprehensive report to the Governor recommending, among other things, that a gross income-tax law be substituted for the business excise tax, which was then upon the statute books. It had been ascertained that the break-down and complete failure of this tax to produce sufficient revenues was directly responsible for Hawaii's financial difficulties.

Although the business excise tax law was also a tax upon the privilege of doing business, the method of measuring the tax was different than that of the present gross-income tax. Under the former act, cost of goods, together with interest and rents paid, were deductible items. Investigation revealed that where merchandise was purchased from foreign countries such returns showed a very narrow margin of taxable income, and in these instances the taxpayers demonstrated losses each year for the purposes of a net income tax and accordingly paid no taxes to the Territory.

It was ascertained that such taxpayers in Hawaii had buying agents, so-called, in such foreign countries, and when the merchandise was invoiced the Hawaiian purchasers, the margin of profit had already been deducted and added to the cost of the goods. Because of the narrow margin remaining between their gross profit and net profit, it was then a simple matter to demonstrate a net loss after deduction of overhead and operating expenses. This procedure of demonstrating a net loss each year seemed to have no bearing whatever upon their status as going businesses. They had done it for years and anticipated doing it for years to come. The enactment of the gross income tax law, however, dissipated this system with one fell swoop, as the cost of goods is not an allowable deduction under this act. The foregoing, incidentally, constitutes one of the best reasons why the gross income tax law met with such terrific opposition before its enactment..

In his message to the 1935 session of the Hawaiian Legislature, Governor Poindexter unqualifiedly recommended the passage of the gross-income tax as submitted by his advisory committee on taxation, promising that august body that the enactment of such a tax would be the means of not only wiping out the impending deficit, but reinstating the 10 percent salary cuts and automatic increases; employing additional help necessary to improve upon governmental functions, and last, but by no means least, balancing the budget.

Before enactment of the law, however, the Territorial legislature held public hearings upon the bill, giving all an opportunity to be heard. It developed that most of the businessmen and more particularly the retail merchants were against the enactment of such a law, claiming, among other things, that a rate of 1¼ percent upon their sales would drive them to the wall.

One group of retail merchants and taxpayers formed a very powerful lobby for the express purpose of fighting its enactment.

When the retailers and others realized that they were losing ground and the bill seemed certain of enactment, they tried to have the law amended so that it would be made mandatory to pass the tax on to the customer. In this they were unsuccessful, and Hawaii's law today does not include such a provision.

The honest retailers, and there were many of these who strenuously fought the enactment of the bill, did not know then what the gross income tax law held in store for them.

They did not realize that where there were only 5,600 honest taxpayers carrying a certain burden of taxation, that under the gross income tax law 26,000 or 364 percent more taxpayers were going to help them bear this same load.

In order to better demonstrate the value of broadening a tax base such as demonstrated above, let us say, for example, that the Territory of Hawaii required that the former business excise tax collect $2,600,000 in revenues in 1 year. If 5,600 taxpayers were to pay this, then each taxpayer would be called upon to pay an average of $464 per annum in taxes, whereas under the present gross income tax law, with its broadened base of 26,000 taxpayers, each taxpayer would pay an average on only $100 per annum.

Many folks ask the very reasonable question as to whether or not the tax has caused a rise in prices. I can truthfully say that in Hawaii the rise, if any, has gone unnoticed. Of course, there are two sound reasons which may be given for this. One is the fact that the gross-income tax replaced another law, and the other and most important reason is that the base of taxation was broadened 364 percent.

It hardly need be said that the formidable opposition demonstrated before the law was enacted has since been entirely dissipated insofar as the honest taxpayer is concerned. A small amount of opposition by certain people still persists, but we know that these grumblings emanate from taxpayers who constitute the greater part of the 364-percent increase group, and the sympathy we have conveyed to them has been very conspicuous by its absence.

Hawaii's gross income tax law was designed to raise $5,108,600 during the first biennium ending June 30, 1937. The higher rate of 1¼ percent was made flexible to the extent that should insufficient revenues be collected, the Governor was authorized to raise it to a maximum of 1½ percent, and should more funds than were necessary be collected, he was empowered to lower this higher rate accordingly and without limit.

From its inception, however, the revenues collected were so great that during the last 6-month period of the first biennium, Governor Poindexter lowered the higher rate of 1¼ percent to 1 percent.

Even though this rate was cut 20 percent, the gross income tax collected $1,331,303.85, or 25.06 percent more than was required of it. Had the higher rate remained at 1¼ percent throughout the biennium, this tax would have collected $1,654,022.98, or 32.38 percent more than was required. The Territory not only balanced its budget at the end of the biennium as predicted by the Governor, but presented the legislature with a surplus of $1,315,000.

The following increase in business done and gross income reflected during the year 1937 as against 1936 may be of interest to you. Retailing increased 16 percent; producing, wholesaling, and certain manufacturing, 8.7 percent; printing and publishing, 23.5 percent; services other than professional, 20 percent; professional services, 25.8 percent; contracting, 30.8 percent; theaters and amusements, 14.6 percent; interest and discounts received, 1.6 percent; commissions received, 8.8 percent; rentals received, 10.6 percent; and all other taxable gross income, 5.2 percent. The base of the tax for all classifications increased 10.2 percent in 1937 over 1936.

You may readily observe from the above break-down of business activities such as retailing, sugar processing, and pineapple canning, printing and publishing, contracting, theaters and amusements, and others which serve as reliable yardsticks, how much more simple it is for Hawaii to accurately gage its trends of business.

It is safe to say, however, that the actual business done in the Territory did not increase to the extent demonstrated, and it is even safer to say that business was not paying additional taxes because they particularly liked the gross income tax law.

We fully realize that because of the chiseling which prevailed in the past and which cannot now so easily escape the provisions and administration of a gross income tax law, that total business for a time will show increases, whereas actually business may be falling off. The saturation point must first be reached before these statistics become of real value, but thereafter they may be used as unquestionable yardsticks for the measurement of business trends.

Reference has been made to a higher rate of 1¼ percent. This is because of the fact that under Hawaii's law certain business activities bear various rates of tax, as follows: The business activities of producing, wholesaling, or jobbing and certain manufacturing bear a rate of one-quarter of 1 percent; printing and publishing pays 1 percent; professional services, one-half of 1 percent; retailing, sugar processing and pineapple canning, services other than professional contracting, theaters and amusements, interest, commissions, rentals, and all other taxable gross income, 1¼ percent.

Based upon the taxable gross receipts reported by all classifications under this law, the average rate of tax for the year 1936 was a fraction under 1 percent, and for the year 1937 just a fraction over nine-tenths of 1 percent.

The 1937 session of the Hawaiian Legislature made gross income the "budget-balancing tax law." In order to balance the 1937–39 budget the gross-income tax was required to collect $7,829,919.54, which was $2,721,319.54, or 53.28 percent, more than was required of it during the previous biennium. From all present indications, this is being accomplished even though the business activities of sugar processing and pineapple canning have been very hard hit because of lower world prices for their products. Any conditions which adversely affect these two industries are soon reflected against other business activities.

It seems significant to state that the original higher rate of 1¼ percent would today be lowered to approximately three-fourths of 1 percent based upon the same revenue requirement for the 1935–37 biennium. Hawaii is today collecting 53 percent more revenue under its gross income tax law than was required during the 1935–37 biennium, and this is being done at the same rates which prevailed during that biennium.

The tremendous increase in collections under this law is invariably credited to the increase in business done throughout the Territory. Inquiries, however, prove otherwise, and the honest merchants in Hawaii are still at a loss to know how the gross-income tax is able to increase its collections to such an extent when their own sales have actually fallen off. One of the answers to this is the broadening of the base for purposes of taxation, which automatically makes the payment of a tax more equitable.

Hawaii's experience demonstrates quite conclusively that dishonest taxpayers at heart are truly in the minority. Because of the vicious competition created by dishonest taxpayers in underselling their honest competitors, the latter group have been forced to conform or go out of business. If their own government neglects to protect them as honest merchants and taxpayers, then they have no other recourse if they are to survive.

Our system of compiling statistical data in Hawaii places us in such a position that we know at all times how business is faring. We have compiled statistical charts covering 350 kinds of business, with a supporting break-down showing how much retail business was done during any specified period of time, how much wholesaling, how much manufacturing, and so forth. These charts tell us the source of the tax, in other words, the particular kind of business endeavor in which the taxpayer is engaged, the number of taxpayers engaged in such business, and the several business activities by which the gross income was received.

We know, for example, that there are 30 sugar-processing companies engaged in business in Hawaii, and we also know how much income was received from the processing of sugar, how much was received from retail business done, the amount received from the business activities of theaters and amusements, services rendered, interest received, commissions received, rentals received, and so forth.

Since its inception the gross income tax division in Hawaii has been the business barometer for the Territory. There is no guesswork there, and no estimating upon business already done is necessary, as our method of compiling statistics must balance to the penny with collections. Because of this system we are also able to anticipate with a substantial degree of accuracy the possibilities of future business income and taxes thereon.

Based upon statistical data for the year 1937, the cost of administering Hawaii's gross income tax law is 1.43 percent of collections. The annual average cost per taxpayer is approximately $2.02, and the average monthly cost per return filed a little less than 17 cents. The average tax collection per taxpayer was $141.37.

A very pertinent feature of Hawaii's law is the fact that the tax is paid monthly. The taxpayers there seem to be very pleased with this phase of it and more particularly the smaller taxpayers who find it difficult to raise sufficient funds to meet their taxes if same were paid annually or even semiannually. This monthly payment feature has been a factor also in keeping delinquencies and ultimate losses down to about one one-thousandth of 1 percent of collections.

Prior to the enactment of the law it was necessary for the Territory to borrow from local banks to carry on the functions of government and after a time borrowing power became somewhat strained. Interest paid upon such borrowings was quite substantial, amounting to $145,326.48 during the 1933–35 biennium. Since the inception of the act, however, it has not been necessary to borrow a single penny from the banks, as the tax is payable monthly and the Territory of Hawaii has always had more than sufficient funds with which to carry on.

NATIONAL GROSS BUSINESS TURN-OVER—INCOME—REVENUE

Nobody knows to a certainty what the present national gross business turn-over and total business transactions amount to but Dr. E. A. Goldenweiser, Director of Research and Statistics of the Board of Governor of the Federal Reserve System, who is probably in a better position to make a reliable estimate than anybody else in the country, has estimated the total for 1938 at $553,000,000,000. Dr. Robert R. Nathan, chief economist for the Bureau of Foreign and Domestic Commerce, has estimated the gross revenue and income of the Nation for 1936, the last year for which the figures have been compiled and are available in his office, at $449,000,000,000. From these estimates which both authorities declare to be conservative, Mr. Louis C. Silva, deputy tax commissioner

of the Hawaiian Islands, our tax expert, has made a further deduction to be on the safe side and remove all grounds for any argument by our opposition that we are inflating our figures and further making a very liberal allowance for all exemptions, and has placed his estimate of the present national gross taxable income under this bill at $360,000,000,000. Mr. Silva estimates that one-third of this sum can be figured as derived from producers, manufacturers, wholesalers, and jobbers, or $120,000,000,000 subject to a tax of one-half of 1 percent and yielding $600,000,000 per year. This would leave the remaining two-thirds, or $240,000,000,000 for all retail transactions, business and professional activities of all kinds, subject to the 2-percent tax with an annual yield of $4,800,000,000 and a total yield of $5,400,000,000 to be divided among 8,000,000 pensioners of the age of 60 and past and amounting to $56.25 per month for the first year and, of course, certain to increase commensurate with the increase in money circulation, velocity, and turn-over and consequent increase in gross business turn-over and business transactions.

THE NEED OF INCREASING THE VELOCITY OF MONEY

Dr. Goldenweiser has on more than one occasion stressed the fact that the decrease in national business transactions is largely due to "decline in velocity." He pointed out in a recent statement that in 1929, when bank deposits were less and when the amount of currency outside of the banks was about $2,000,000,000 less than at the present time, that there was double the volume of business transacted in the country as compared to 1938. This was due to the fact that each dollar in demand deposits turned over 26½ times during the year 1929, whereas it turned over 13 times during 1938, which does not include the turn-over of currency, the figures for which are not available and which would probably be greater.

In other words, one of our difficulties today is the lack of money circulation. There is a pressing need of not only putting money in the hands of the masses but it must be kept in circulation, hence H. R. 6466 provides that the pension must be spent within 30 days. The more rapidly it circulates, the greater service—the greater work—it will do for humanity. That is one of the main objectives of the Townsend plan.

ADVANTAGE OF QUICK CASH TURNOVER

In 1935–36 the Supreme Court ordered the Illinois Bell Telephone Co. to refund to subscribers in Chicago the tidy little sum of $20,700,000 overcharges. This money was immediately spent in the stores of Chicago, the merchants passing it along in payment of various bills, and in the purchase of more merchandise, and in just a few days the money had turned over so rapidly and circulated from person to person so often that it had transacted approximately $100,000,000 worth of new business, and even in the big wealthy city of Chicago, which deals in billions, it attracted attention and surprise.

According to the Dow-Jones Co., of New York, national authority as statisticians and economists, this Chicago money turned over 22½ times during the year, which meant that this $20,700,000 created $465,750,000 worth of new business. If the comparatively small sum of $20,700,000 disbursed by a private corporation to a few people created $465,750,000 worth of new business for Chicago merchants alone, then why will not $5,500,000,000 disbursed by the Government to 8,000,000 citizens also turn over 22½ times and produce $121,000,000,000 worth of new business for all the merchants of America? In other words, increase the volume of gross business turnover to that extent, or does the money of a private corporation act any differently than money disbursed by the Government?

EXAMPLE OF $10 TURNOVER

For example, taking the month of April as a basis, to show possible and reasonable transactions with a Government $10 check from his allowance, we find the pensioner receives a check on April 1 and takes $10 of it the same day to his grocer, who pays 2 percent to the Government on sales; the grocer pays same check to his clerk, who also pays 2 percent on salary (all over $100 per month); the clerk pays check to butcher, who also pays the Government 2 percent on sales; on the 2d, butcher pays to wholesaler, who also pays 2 percent on sales; wholesaler pays to his clothier, who also pays to the Government on sales; clothier pays same check to salesman on 6th; salesman pays it to his grocer on 8th; grocer pays to his wholesaler on 10th; wholesaler pays to his salesman on 10th; salesman pays on his auto on 11th; auto dealer pays to his salesman on 13th; salesman pays to his landlord on 15th; landlord pays to electric company on 16th; electric company pays to employee on 20th at noon; employee pays to drygoods company same afternoon; drygoods company pays salesman same check on closing on 20th; salesman pays his grocery bill on 22d; grocery pays on daily account to bakery on 23d; bakery pays daily account to creamery on 24th; creamery pays wholesaler on 25th; wholesaler pays on furniture the 26th; furniture dealer pays his salesman on 27th; salesman pays on his radio the 27th; radio dealer pays to his wholesaler on 29th, saving his 2 percent cash discount for month; and the wholesaler deposits check in bank on the 30th. Each transaction has paid a 2-percent tax, amounting to 20 cents, either from seller of merchandise or receiver of check for services.

Twenty-five reasonable and not unusual accounts have been paid with this one $10 check, which is accepted by everybody the same as currency, and 25 payments have earned $5 in revenue tax. This shows the possibility of velocity in business.

With this possible with one $10 check, what would happen with 8,000,000 pensioners paying out from $56.25 to $200 per month on the Townsend plan, and everybody keeping up this velocity of business transactions?

An interesting experiment was made, as related by Frederic J. Haskin, of the Washington (D. C.) Star, in his article entitled "The Velocity of Money Circulation." As a feature of a convention held in Milwaukee, Wis., the chamber of commerce put in circulation $400 in money so marked that it could be traced. The tracing could be carried on indefinitely until the money actually wore out or returned to the Treasury or to Federal Reserve banks for redemption and destruction. But in the short time that the chamber traced the money—a matter of a few days only—it was found that $400 paid bills amounting to $1,425. That much indebtedness was discharged by the original $400.

While a certain amount of cooperation from local people was required to keep track of the use of the money, no collusion was involved and, in all probability, many transactions were missed entirely; that is, probably more debts were paid than could be traced.

WHERE THE MONEY WENT

In detail, the fascinating story is as follows: Three hundred dollars of the money paid salaries to various persons. Meals—dinner, luncheons accounted for $258. Landlords received $136 of the $400, while $109 was expended for groceries. The sum of $78 was spent for general merchandise, while hotel bills to the extent of only $48 were paid. In view of the fact that a convention was in the city at the time the experiment was conducted, it appears that comparatively little of the original $400 got into the hands of the visitors as hotel bills doubtless constituted a major portion of their expenses. Home-town people were getting the chief use of the funds.

Banks received $38 of the identifiable money on deposit, while board bills were paid with $35. Filling-station men received a respectable share, for $35 came into their hands in payment for gasoline and oil. Housewives paid $34 of the money for meats, while coal and other fuel bills were paid to the extent of $31. Twenty-nine dollars went into the hands of public-utility companies in settlement of electric bills, with another $10 for water and gas bills.

Cigars, cigarettes, and tobacco were purchased with $24 of the money, while candy, ice cream, and similar light refreshments accounted for $20. Transportation fares locally, streetcars, busses, and taxicabs absorbed $15. Debts were paid and loans made to the extent of $18, while tips accounted for $17.

Furniture and hardware stores got $17 of the money and $15 of it was paid on medical and dental bills. Insurance premiums were paid to the extent of $15. Movies and other theaters and amusements accounted for $15 of the original money.

Barbers and proprietors of beauty shops received $14 of this money, while $13 was expended for drugs and medicines. Club dues and charitable donations accounted for $10. Nine dollars went for flowers and jewelry.

Bakers took in $9 of the money, and $9 of it was spent for shoes. Garage bills were paid to the extent of $8, while tailors, cleaners, and laundries got $8. Telephone bills were paid in the amount of $6, while radio tubes and accessories were purchased with $5.

Shoe shines and shoe repairs were acquired with the payment of $5 of the marked money. Railways and boat tickets accounted for $5, and another $5 turned up as payment of interest on a note. Payment on an automobile in the sum of $4 of this money was made. Livestock was purchased with $1.

Thus the total of $1,425 was reached. Money, to be of any use, must continue to circulate, and theoretically there are no limits to the extent of this circulation, as the Milwaukee test shows.

Starting with the $300 out of the original $400 which was paid in salaries, it can be assumed that some of it was paid in rent. The test showed that $258 of the money was paid in rent, but that did not necessarily all come out of salary money. But to follow through one single line: Assume the landlord used some of the rent money he received to pay his grocery bill. Then assume that the grocer paid his electric-light bill with what he had received. The electric-light company owed a bill for fuel and paid over some of the money to discharge that debt. The coal man paid some to the hardware man for shovels. The hardware man paid a doctor's bill, and the doctor bought flowers and had a suit pressed.

Only about 3 days were devoted to the Milwaukee experiment, and yet it was shown that $400 paid $1,425 in bills. Those obligations were definitely and finally discharged; they did not have to be paid again; and yet no more money was used. That is the whole theory of circulation and, in part, the theory of inflation. Practically everyone in the United States is in debt. With more money in circulation and hoarding stopped the cycle of payments can be speeded up, and in a short time the obligations can be discharged.

A transaction tax of 2 percent on every retail transaction, sale, barter, or exchange is the most equitable and just form of tax that could possibly be devised, and it would not work a hardship or injury on anybody. It would amount to $2 on every $100, $20 on every $1,000, $2,000 on every $100,000, and so forth; and in the case of nearly all manufactured wares, goods, and merchandise would involve directly a tax load of only five times the single 2 percent while passing, first, through the hands of the producers of the raw material; second, the manufacturer of the raw material; third, the jobber-broker-commission man; fourth, the wholesaler; and, fifth, the retailer.

It was estimated at the previous social-security hearings (p. 1103) that the cost of living would rise by 10 to 12 percent, and even the group of University of Chicago professors who oppose the Townsend plan on other grounds stated in the pamphlet issued by them that—

> an examination of statistics for one or two representative industries (not included in this pamphlet for lack of space) confirms the reasonableness of the estimate that the rise would be on the order of 10 percent.

However, if the increase in the price level proved greater, owing to the stimulation of business, trade, industry, and agriculture, which would result, it would be governed by the law of supply and demand, the same as in the past and at the present time. Prices would go up and wages go up in proportion. Hence, no damage or injury could be caused to the vendor of any commodity who would, in the very nature of things, be greatly benefited on account of the improved market and demand for everything that is produced on the farms and manufactured in the factories.

THE TRANSACTION TAX—GROSS SALES

A transaction or gross-sales or gross-revenue tax is a tax on business transactions. It is not a tax on profits. To illustrate: During 1933 and 1934 the United States Government collected a tax of 2 cents on each bank check. This was a transaction tax applied to check transactions only. The tax was 2 cents on a $1 check and only 2 cents on a $1,000 check. The small bank depositor paid the major portion of this tax.

The United States Treasury, during 1933 and 1934, collected from this tax over $79,000,000, according to the Secretary of the Treasury. During these years the Federal Reserve Board reported that its branches and agencies alone handled over $76,000,000,000 worth of checks. To further illustrate: If the tax had been 2 percent of the total check transactions, instead of 2 cents on each check, the Government would have collected from Federal Reserve agencies alone over $1,500,000,000 instead of a total of only $79,000,000.

To further illustrate: All the corporations in the United States paid income taxes in 1934 of $397,000,000. The users of tobacco alone—chewing, cigars, and cigarettes—paid a total tax into the United States Treasury in the same year of $425,000,000.

NATIONAL INCOME VERSUS NATIONAL BUSINESS TURN-OVER

Some people fail to differentiate between national income and national business turn-over. They confuse the two and assume that the pension payments must be deducted from the present national income and without any increase of the latter. They confine the volume of the Nation's business to the national income and consequently place themselves in the position of claiming that every time a dollar of national income is spent that dollar ceases to exist; that it stops right then and there and can never be spent again. No other conclusion can logically follow, for they can point to no year in which the amount of business transacted in the United States did not exceed many, many times over the amount of national income. The national cash income in 1929 was $81,000,000,000. The national business turn-over for the same year was $1,200,000,000,000.

A manufacturer may do a gross business turn-over of $1,000,000 and have an income of $100,000. Another manufacturer may do a business of $10,000,000 and have an income of only $10,000. The tax is not based on income or profits, but upon the gross volume of all business transacted.

The cigarette tax is not based on the profits or income of the cigarette manufacturer; it is based on the volume of cigarettes manufactured. The gasoline tax is not based on the income or profits of those engaged in selling gasoline; it is based on the volume of gasoline sold. Likewise, the transaction tax is not based on the net cash national income, it is based on the volume of all business transacted—measured in dollars—hence it is called a transaction or gross-sales, gross-revenue, or gross-income tax.

To illustrate further: If a small merchant did a $50,000 business at a net profit of $5,000 in 1935; then, because of increase in sales because of the Townsend plan going into effect, he did a $100,000 business in 1938 at a $10,000 profit, the Government would collect 2 percent of the $100,000, or $2,000, leaving a net profit for 1938 of $8,000 as against only $5,000 in 1935. Thus, by paying $2,000 tax to support the Townsend prosperity plan, the merchant increased his business and profit. And his income was not taken or taxed to support the Townsend plan.

PENSIONS WILL NOT BE PAID FROM PRESENT NATIONAL INCOME

The fallacy most often used against the Townsend plan is the statement that the monthly pensions will be paid from the present national income.

Economists know full well that money of itself has no value whatever; that it simply is a symbol used in registering the amount of labor or goods involved in a transaction. I know little about poker and never play poker but know enough about the game to know that each poker chip on a gambling table simply represents something, and that some-

thing in that case is a definite amount of currency, which is no more than a due bill on the world for something. There may be only 500 chips on the table, yet any amount of winnings, from $1 to $10,000, may change hands in one evening, passing those chips back and forth in the process.

Russell Leffingwell, of the firm of J. P. Morgan & Co., recently declared:

> Money is not an end to itself, it is a means to an end.

Henry Ford, in the American Magazine, October 1934, said:

> The function of money is not to make money but to buy goods. Money is only one part of our transportation system. It moves goods from man to man. A dollar bill is like a postage stamp, it is no good unless it will move commodities between persons. If a postage stamp will not carry a letter, or money will not move goods, it is just the same as an engine that will not run. Someone will have to get out and fix it.

The records show that our national income has increased in the face of increased taxes; or, putting it the other way, increase in taxes does not decrease the national income.

The administration levied a processing tax on farm commodities, better known as the A. A. A. tax. It was a transaction tax on processing. This tax exceeded over a billion dollars before it was nullified by the Supreme Court. Who paid this tax? The highest authorities are in disagreement. Some say the farmers paid it, some say the processors, and others say the consumers paid it. But that is beside the point.

The point is that in the face of this new billion dollar transaction tax, collected by the Federal Government, the farmers' income increased, the railroad income increased; business income increased; deposits increased in banks, and the national income increased.

So much for the claim that the Townsend plan pensions being paid out of national income—or "involving one-half of the national income."

Walter E. Spahr, of New York University, in a radio address said:

> Thus to pay the annual cost of the Townsend pension scheme would require 40 percent of the national income.

This, of course, is untrue. The Townsend plan will not "rob Peter to pay Paul," which is another oft-repeated statement made by opponents of the plan.

A man without income in 1935 may in 1939 invest his money, or credit, employ idle men, buy unused raw products, turn out new goods, and sell the new goods thus produced to men heretofore unemployed. Thus taxes can be paid, idle men employed, business and freight receipts increased, and a profit made in addition without taking a single penny from the present "national income" or from any person now employed.

It is, therefore, possible to increase taxes, increase freight income to railroads, increase pay rolls, increase the buying of life insurance, increase medical and dental service, increase the consumption and production of food, clothing, and luxuries—and increase the expenses of operating and building bigger and better mills and factories—without taking anything from those who now have property or from those now employed.

This is possible because we have unused materials, unused money and credit, idle men and idle machinery. These will create new wealth without taking wealth or income from others.

CONCLUSION—RECAPITULATION

This legislation will relieve industry and business and the employer of the pay-roll tax, and the States of their parity contributions to the present Social Security fund, and spread the cost over the entire population at a rate so small that it will not be burdensome or work a hardship upon anybody. It requires no payment of interest to the bankers. It is a cash-and-carry, pay-as-you-go, self-financing, self-liquidating plan, and far less costly than a bond-debt-creating system, with its appalling interest burden. It applies the velocity principle of money turn-over and provides a revolving fund, upon a pay-as-you-go basis, to create active, liquid, working capital, available currently every month of the year, to finance the idle, unused potential productive capacity of our industrial and agricultural facilities. The old-age assistance phase of H. R. 6466 (H. R. 2) is merely the most desirable means to the more important end sought, namely, the acceleration of the velocity of money turn-over. The pensions to the aged, the most deserving group of our population, to be expended currently each month in the purchase of goods and services, is merely the modus operandi by which the working capital is made available to the productive enterprise of the Nation. The bill H. R. 6466 (H. R. 2) is the only proposal pending before Congress which will meet the requirements of the price system, the profit motive, and credit capitalism. There is not a single sound, valid objection against it and it should and will become the law of the land. [Applause.]

Mr. COOPER. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. SWEENEY].

Mr. SWEENEY. Mr. Chairman, in the brief time allotted to me I shall not make a detailed statement of my espousal of this legislation, preferring to let the testimony I gave before the Ways and Means Committee in behalf of H. R. 2 stand as an argument in favor of this present bill. In my opinion, there is very little difference except the tax structure, which has been changed at the suggestion of the leaders in the Townsend organization.

I do, however, desire to meet the charges made on the floor of the House today by several Members against Dr. Francis Townsend, not direct charges but inferences proclaiming Dr. Townsend to be the head of a racket organization, handling large sums of money for which no accounting is made, and collecting dues from the poor people who are members of his organization.

I challenge any Member of this House to point out one single instance since he became the head of the Townsend movement wherein Dr. Townsend was guilty of turpitude of any kind, malfeasance, or misfeasance in the administration of the affairs of this powerful organization.

I have been an advocate of the Townsend philosophy since its inception, and if I thought Dr. Francis Townsend was guilty of any of the charges made by inference here today I would sever my support and connection with this Nationwide movement. The membership of the Townsend organization represents substantial citizens. If they desire to contribute 10 cents or $1 a year toward the maintenance of their organization, that is their business, and not the concern of the Congress of the United States.

Those of you who were here as Members of the Congress when Dr. Townsend walked out of the congressional committee room, and subsequently was charged with contempt, will admit that the so-called investigating committee was a political inquisition committee, designed to cast aspersions upon a movement which had great potential political strength. At that famous hearing when Dr. Townsend departed from the committee room he was refused the right to submit a statement, a right which is usually accorded to any witness appearing before congressional committees, a right that was most generously accorded to the great J. Pierpont Morgan when he appeared before a certain committee of the United States Senate a few months previous.

The effect of Dr. Townsend's conviction and subsequent pardon by the President of the United States demonstrated that the Chief Executive at least believed in his sincerity, and I believe that goes for almost the entire press of the Nation, who, while in many instances they criticized the Townsend philosophy, were unanimous in their opinion that its leader was a sincere individual.

While the measure before us today in some respects is a substantial departure from the legislation heretofore introduced on this subject, it is in its last analysis the Townsend plan, a plan that has swept the country like wildfire, and which I believe will be the cause of bringing about an adequate, substantial old-age pension throughout the Nation. I

have been identified with this movement for the past 5 years. It has been my privilege to address large gatherings of American citizens interested in the subject of old-age pension. I have been honored by having the privilege of addressing two national conventions of the Townsend organization.

Whenever and wherever I was privileged to speak in behalf of old-age security I proclaimed that the $200 per month was somewhat of a myth, but that the Townsend plan would justify its existence if legislation would be enacted assuring an annuity of $50 or more per month to qualified annuitants. From a conservative estimate made by the experts who have fixed the proposed tax rate specified in H. R. 6466, the annuity would mean, roughly, about $57 a month.

This bill, perhaps, will not pass at this session of Congress, but tomorrow the day of reckoning is at hand. The advocates of this legislation have a right to know their friends and their opponents. A "yes" or "no" vote will determine this question tomorrow under the rules which guide the consideration of this measure.

For the reasons advanced, despite the charge of demogogy, I have never swerved in my conviction nor apologized for my membership in the organization nor my advocacy for this sort of legislation. It was my good fortune to pioneer in the field of old-age pension in the State of Ohio some 20 years ago, and my interest in the subject has not abated but, on the contrary, has increased with the advance of consideration of the Townsend plan.

It took 12 years before the opponents of national prohibition were given consideration by the Congress of the United States. During my 8 years as a Member of Congress the payment of the adjusted-service certificates, or the bonus bill, was under deliberation three times before the measure finally became a law. I am firmly convinced as I stand here today that the next Congress, or the one to follow, will ultimately enact into law a similar measure to the one we discussed today, and that those of us who support this bill will have made a splendid contribution toward hastening the day when substantial old-age pensions will be paid to those who have given the best years of their lives in the interest of their Government and society as a whole.

Mr. BUCK. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. GEYER].

Mr. GEYER of California. Mr. Chairman, the time allotted me is short. I rise to support this bill. Some have said that there will be none to support this measure except those who were elected by the efforts of the Townsend organization. This is one of the many instances where that is not the case. In my district another had that endorsement, and the race was not even close. I received almost 7 votes to my opponent's 1. There must be some other reasons for my support. It is simply this: First, I believe in security for our senior citizens; and, second, I believe that this a good, though perhaps not a perfect, bill. No one has claimed perfection for any measure that has been before this House this session.

A TRUE STORY

Let me tell you a true story in illustrating my support of this legislation that we now have before us. This is a story in which I played an important part, a story having to do with farm life, a story that has been enacted in similar form on nearly every farm in the United States. I apologize for the continued use of the first person, but I can see no other effective way of giving it to you.

DECK AND DELL

I was reared on a farm in the Middle West. Every year we raised on this farm many acres of wheat. In those days there were no combines and no tractors. The grain must be cut and bound into bundles with what was known as a grain binder. It took five horses to draw this implement over the field. Round and round it went from early morning until late at night. The three horses hitched in the rear were driven by my father and one of the two in the lead was ridden by myself to keep them from tramping underfoot the precious golden grain.

On the day of my story it was extra hot—not a breath of air was stirring. To the sultriness of the atmosphere was added the odor of the perspiring animals. All this made breathing almost impossible. I was very fond of the horse I was riding, for we had taken many a gallop over the hills of the surrounding country. As we went around the field and as he began to lather and his breath came almost in gasps, my heart went out to the dumb animal.

Across the barbed-wire fence from us on one side of the field was a field of clover, knee high, each plant tipped with a crimson bloom. At one end of the clover field, under the shade of an elm tree, stood two fat, sleek horses, head to tail, lazily switching the flies from each other. It seemed almost as long as I could remember that this old team had had the best of everything on the farm. In the winter the warm box stall was theirs. The brightest of hay was placed in their manger and each evening they were bedded knee deep in straw. In the summertime their entire day was spent as I saw them now, with nothing to do but eat and drink and stand in the shade.

I REBEL AT THE WORLD'S INJUSTICE

On this day as I looked across the fence at the old gray team and heard in the nearby woods the voices of my school playmates swimming in my swimming hole or catching my fish while I was denied that pleasure, resentment to the injustices of a cruel world rose in rebellion within my youthful mind. It seemed to me that there was no such thing as justice. Why must I, all day long from daylight until dark, ride this sweaty horse round and round the field while other boys of my own age, boys with whom I attended school in the nearby village, were at leisure to come into my own domain, on my father's farm and shoot my game and catch my fish, both of which were all too scarce? Then there was the horse I was riding—a spirited animal that, when he was not worked down, could keep pace with the best of horses. But here he was, perspiration dripping from his flanks, tormented by bot flies, nervously throwing his head as they stung him on the throat. This he had been doing for weeks and this he would do for weeks to come, while old Deck and old Dell made no greater effort than was required to move from the shade of the tree into the clover, down to the nearby brook and back again to resume their switching in the shade. The more I reflected on it the greater the rebellion that arose within me.

I ASK FOR JUSTICE

Soon we stopped to "blow" the horses and to get a drink of luke-warm water from the jug wrapped in an old gunny sack that we had hidden from the hot rays of the sun beneath a nearby shock of grain. It was then that, filled with the thoughts of an unjust world, that I exploded with, "Dad, it's not fair. Look at that horse pant. He pulls as much as any other horse and carries a load besides. Let's give the lead team a rest tomorrow and let that fat old team work while this horse and his mate take a turn in the clover. It's no more than right."

I shall never forget the look in my father's eyes nor the tone of his voice as he replied in measured words that seemed to carry with them a solemn promise, "Son, old Deck and old Dell will never look through a collar again. They were a wedding present, along with a farm wagon and a set of harness from my father to your mother and me. Everything we have we owe to that team. The house in which we live, this ground from which we are cutting grain, cleared with so much labor, and even the education of you children, are the result of the efforts of Deck and Dell. If they live for 50 years, the best will be none too good for them. They have earned their keep."

He kept his promise, and the old team spent their last days in peace and plenty in return for services well rendered in their younger days.

My colleagues, this is the way we are treating our dumb brutes. Should the fathers and mothers of the Nation be accorded less favorable treatment? Need I say more? [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. SECCOMBE].

Mr. SECCOMBE. Mr. Chairman, this is not a political question with me, because I rise in support of the bill. I am positive if my mother and dad were living I would be expressing their sentiments.

I was amused at my good friend and colleague from Ohio [Mr. SWEENEY] when he said that President Hoover promised one chicken in every pot, because the New Deal promised two chickens in every pot, and today the old people do not even have a pot. [Laughter.]

Several days ago the President made the statement, "Consistency, thou art geography." Certainly geography does not apply to this question known as the Townsend bill, because some thirty or thirty-five million people have endorsed it. They claim it is a good plan, and so do I. I place my sentiments in the hands of Dr. Townsend and the aged people of this fine Government of ours, rather than place my sentiments in the hands of the President, who would rather talk about war in Europe and becoming involved in some foreign entanglements, and to send some mother's son back to a foreign soil.

I am going to support the bill. I am conscientious when I say that, as I pledged myself to support a Federal old-age pension, and I wish to make good my promise. I believe in the principle of this bill, although it may not be perfect in its entirety. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 7 minutes to the gentleman from Kentucky [Mr. ROBSION].

Mr. ROBSION of Kentucky. Mr. Chairman and colleagues, we have before us for consideration H. R. 6466. The Townsend folks had introduced on the first day of the Seventy-sixth Congress, January 3, 1939, H. R. 2. H. R. 2 is the successor to Townsend bills introduced in the Seventy-fourth and Seventy-fifth Congresses.

H. R. 6466 comes to us under most remarkable circumstances. The Ways and Means Committee of the House, controlled by the Democrats, held hearings on H. R. 2 and other proposals to amend the Social Security Act. Thousands of pages of testimony were taken. Dr. Townsend and all the witnesses he desired to introduce were heard. After this great committee had heard testimony for 3 months or more, the gentleman from Florida [Mr. HENDRICKS], a supporter of the Townsend plan, on May 23, 1939, introduced H. R. 6466, and the Ways and Means Committee reported this bill without recommendation on May 25, 2 days later. The gentleman from North Carolina [Mr. DOUGHTON], chairman of the Ways and Means Committee, told us that in all his experience on the Ways and Means Committee it had never made such a report on any bill before.

The Ways and Means Committee is made up of 25 members and among the ablest and most experienced men of the House. I am informed that each and every member of the Ways and Means Committee were and are opposed to the so-called Townsend plan. It is strange indeed that this great committee of experienced men, after hearing testimony for and against this proposal for 3 months, dropped it into the lap of the House without any recommendation. It is generally said that our Democratic friends took this course in order to put the Republicans "on the spot" and force a record vote.

This bill was brought up for consideration under a special gag rule reported out by the Rules Committee made up of 10 Democrats and 4 Republicans. This special rule makes it impossible to change in any particular whatever any of the provisions or terms of this bill. The bill is made up of 29 large printed pages. Each Member of the House must vote on it as is without the crossing of a "t" or the dotting of an "i." No Member will have an opportunity to offer or vote for any amendment in order to perfect it and provide a decent and reasonable pension for needy old people. Dr. Townsend and his followers agreed for the Ways and Means Committee to report the bill without recommendation and for the Rules Committee to bring in and adopt this gag rule.

The administration and its leaders knew, and Dr. Townsend and his supporters knew, that the bill could not be passed and become law in its present form. Dr. Townsend gave out more than one statement in recent weeks that the bill would be defeated. Mr. Jeffreys, the active vice president of the Townsend movement, according to the gentleman from Illinois, Congressman DIRKSEN and others, admitted that the bill would not pass, and stated that the Townsend people did not want this bill to pass. The gentleman from Florida [Mr. HENDRICKS], who introduced H. R. 6466, told us in his speech today that the bill had no chance to pass, and all others who spoke for the bill said it had no chance to pass. The Townsend plan was turned down by Congress when the social-security bill was up in 1935.

Why do the supporters of the Townsend plan persist in the bill in its present form and urge a gag rule to prevent any perfecting amendments when they know there is no chance for the bill to pass?

I am anxious to do something fair, reasonable, and substantial for the needy old people of this country, and but for this gag rule I think this House would amend this bill so that it could and would pass and would provide a reasonable and fair pension for needy old people. The bill in its present form has the active opposition of the farmers of the Nation, the American Federation of Labor, the railroad brotherhoods, and other labor groups.

Since the Townsend plan has been urged, I have received only four letters and one telegram from the people of my district favoring the Townsend plan and urging me to support it. I have received many letters expressing strong opposition. I have also received hundreds of letters from people in my district favoring an adequate and reasonable old-age pension, but they say they do not expect me to vote for the Townsend plan, as it is unreasonable.

FROM $200 TO $300 PER MONTH

Dr. Townsend testified at great length before the Ways and Means Committee. He and his supporters take the position that this is a recovery plan and not an old-age pension plan. They claim that we can, by taxation, place $28,000,000,000 into the hands of 12,000,000 people 60 years of age and over and bring about great prosperity by requiring them to spend this money every 30 days, and in no event can they have any of this money in their possession more than 35 days. Some of the proponents of this bill are now urging that they do not expect the $200 a month for there are 12,000,000 people to come within this proposed law. Let us quote from Dr. Townsend. On page 616 of the Ways and Means Committee hearings Congressman MCCORMACK asked the following questions and received the answers thereto:

Mr. MCCORMACK. In other words, the $200 is only a starting point?
Dr. TOWNSEND. That is all.
Mr. MCCORMACK. And you say that that amount should be revised as the result of a survey every 5 years?
Dr. TOWNSEND. Yes, sir.

Dr. Townsend further testified on page 655 of the hearings:

Mr. MCCORMACK. When you say you later believe it should go to $300 then you disown the principle at $200 at this time.
Dr. TOWNSEND. No; not the principle at all.
Mr. MCCORMACK. In other words, the $200 is not your objective; it is only a means to an end?
Dr. TOWNSEND. That is all.

Dr. Townsend's testimony on page 609 of the hearings is as follows:

Mr. MCCORMACK. * * * And under your bill you provide for a pension without regard to whether or not reasonable need exists. That is so, is it not?
Dr. TOWNSEND. I would abolish the needs test entirely.

On page 618 of the hearings, Dr. Townsend stated:

Mr. MCCORMACK. Let me get this; need is not the test in order to get a pension?
Dr. TOWNSEND. It shouldn't be.
Mr. MCCORMACK. And it is not intended by you it should be?
Dr. TOWNSEND. No.

The Hendricks bill, H. R. 6466, introduced on May 23 and now before us is supposed to contain, as I understand it, amendments suggested by Dr. Townsend to H. R. 2. Dr.

Townsend was inquired of, when he testified, as to the number of persons the bill would cover. On page 616 of the hearings, Dr. Townsend testified as follows:

Mr. McCORMACK. Suppose this amendment of yours were carried into effect; suppose that any person, whether engaged in gainful occupation or not, as you construe it, was eligible. How many then would come within the purview of your bill?

Dr. TOWNSEND. About 12,000,000, I think.

* * * * * * *

Mr. McCORMACK. And you say about 12,000,000 would be eligible with the amendment you advocate?

Dr. TOWSEND. Something like that; yes.

If I can understand simple English language, Dr. Townsend testified that under his bill persons who are 60 years of age, whether they need a pension or not, will get it. They may be worth $10,000,000 and own a great deal of property, yet they would be entitled to the pension from the day they are 60 years of age, and this would make 12,000,000 eligible for the pension. Dr. Townsend's plan is to start at $200 a month and in a few years increase it to $300 a month.

TWO HUNDRED DOLLARS A MONTH—12,000,000 PENSIONERS—$28,800,000,000 ANNUALLY

It is a simple problem of arithmetic—$200 a month means $2,400 a year for each pensioner, and with 12,000,000 pensioners it would cost $28,800,000,000 a year on a basis of $200 a month; but if it should be increased to $300 a month, as Dr. Townsend asserts, in a very few years it would cost $43,200,000,000 a year, provided there would be no increase in the number of persons 60 years of age.

The Members of the House, including myself, received a statement from a prominent leader in the Townsend movement. He has this entire matter figured out along the line stated by Dr. Townsend. Of course, this money to pay these enormous sums would be raised by transaction, income, and consumers' or sales taxes. The money will not be picked off of bushes or trees. The money must come in the way of taxes out of the pockets of the taxpayers of the Nation. This Townsend leader submits the figures and I have seen it from other Townsend leaders. He says that in 1929, when the country was prosperous, there was a turn-over of transactions in this country amounting to $1,000,300,000,000, and this 2-percent Townsend tax on each transaction would bring in $26,000,000,000. He says it would cost $540,000,000 to collect this $26,000,000,000 in taxes, and he estimates that at least 8,000,000 people would draw the $200 a month, and they would be paid annually $19,200,000,000 a year in benefits, and after paying the pensions and the cost of collecting the twenty-six billion of taxes there would be a balance left of $6,280,000,000 to pay every year on the national debt.

Now, this man sets forth the general argument of the supporters of the Townsend plan. Under this plan we are not only going to pay $200 a month to everybody 60 years of age and over that wants it, whether he is rich or poor, in need or in plenty, but collect the enormous sum of $26,000,000,000 in taxes, bring about prosperity, and have left $6,280,000,000 to pay annually on the national debt!

We must not overlook the fact that all the money collected last year by the Federal Government in taxes, both direct and hidden—income taxes, tobacco, cigarette, whisky, gas, oil, tariff, taxes, and every other tax—all amounted to less than $6,000,000,000, and this $6,000,000,000 was used to pay on the expenses of the Government—the Army, Navy, veterans' pensions and compensation, relief, benefits to agriculture, and so forth.

WHO WILL PAY THESE ENORMOUS TAXES?

The farmers, the railroad, shop, factory, and mine workers, and the common folks, will pay the most of these enormous taxes. It is in the nature of a consumers' or sales tax. This tax would be levied on everything that is consumed by any human being in this country, from the cradle to the grave—food, clothing, shelter, amusement, education, and everything. As the farmers and the working people of this country are the big consumers they must carry the load. The farmers and the working people who, because of their toil many of them die before they are 60 years of age, will receive no pensions from this utopian scheme—this pipe dream of Dr. Townsend. Most of those who toil little and are well to do and who take care of themselves will live beyond the 60 years, and under Dr. Townsend's idea will receive from $200 to $300 a month, and if they have a wife over 60 it will run from $400 to $600 a month for the husband and wife.

The average farmer does not average $50 a month for himself and family. I doubt if the working people in these times are averaging over $60 a month for themselves and families. There will be taken away from the workingman and his family of his wages earned and income approximately 20 percent to finance the Townsend plan. The producer of hides will be taxed 2 percent and he will turn his hides and taxes over to the manufacturer of shoes and leather goods. The manufacturer will have to pay a tax. He will hand the producer's and manufacturer's taxes over to the wholesaler. The wholesaler, when he sells the product to the jobber will hand over his own taxes as well as the producer's and manufacturer's taxes, and when the jobber sells the goods to the retailer he hands over his tax and all the other taxes to the retailer, and when the retailer sells the shoes or other articles to the consumer, he hands over to the consumer his tax and all the other taxes.

The entire income of the American people last year—all the income of agriculture, labor, industry, commerce, and the professions (and this means the gross and not the net income)—was a little over $62,000,000,000. We have 130,000,000 people in this country. If Dr. Townsend's plan was put into effect and we paid these pensions to 12,000,000 people at $200 per month, 9 percent of our population would receive nearly half of all the gross income of all our people last year. The highest gross income the people of this Nation have ever had was a little over $80,000,000,000. This pension would be more than 33 percent of the total gross income of this Nation in its most prosperous year.

It is insisted by Dr. Townsend and his friends that this is not a pension bill but it is a recovery bill. It will bring about prosperity in this country. Of course, these tremendous taxes would be reflected in the cost of everything that our people buy. It would greatly increase the cost of living. Dr. Townsend admits in his testimony it would more than likely eliminate hundreds of thousands of small businessmen and middlemen who provide employment for some eight to ten million workers in this country.

President Roosevelt under his policies has been spending five or six billion dollars more each year than was necessary to carry on the usual functions of the Federal Government in the hope that this spending would bring about prosperity but we find unemployment and the relief rolls on the increase under that policy. Dr. Townsend would increase President Roosevelt's pump-priming by 500 percent. Dr. Townsend's plan is so wild that it cannot and is not accepted by the President or his most ardent new dealers.

We have about 50,000,000 people in this country that must depend upon salaries and wages for their living. They must work. All the wages paid to the workers of this country amount to less than $47,000,000,000 a year. I wonder how long these millions of workers would be willing to pay in pensions to 10,000,000 or 12,000,000 persons who do not work more than half the sum they receive in wages and salaries. I wish I could believe and that it would be true that this Utopian scheme would bring about recovery and give to a man and his wife 60 years of age or over from $400 to $600 a month to spend. If I could believe that, there could be no power on earth that could keep me from voting for this bill. However, out on the farm I heard it said many times that a man could not lift himself over the fence by pulling up on his bootstraps. If the Townsend plan can work out, then a man can lift himself over the fence by pulling up on his bootstraps.

A KENTUCKY DOCTOR HAD A BETTER PLAN

A certain Kentucky doctor—and I refrain from using his name—had what I consider a much better plan than Dr. Townsend. He prepared and sent to me a bill and requested

me to introduce it. He had the same idea in mind that Dr. Townsend and his friends have—that we can tax and squander ourselves into prosperity. He criticized Dr. Townsend's plan because Dr. Townsend limited his pensions to those 60 years of age and over. The Kentucky doctor provided in his bill to put every child the day it was born on the pension rolls at so much per month until the child reached the age of 15 years, and then it was increased, and at 21 years it was increased some more. It was further increased after 30, 40, 60, and so forth. He took the position that if the payment of pensions to ten or twelve million of our population would bring about prosperity, to provide a pension for 130,000,000 would increase the Townsend prosperity about tenfold.

WHAT ABOUT NEEDY WIDOWS AND BLIND OR DISABLED PERSONS?

This Government pays a pension of $100 per month to a veteran who was totally and permanently disabled in line of duty in defense of our country. His wife gets nothing. If he dies by reason of the disabilities contracted in the service in line of duty his widow gets from $30 to $37.50 per month. Under the Townsend plan the husband, if over 60 and with no disabilities from defending our country or any other cause, gets $200 per month; and if his wife is living and is over 60, she will likewise get $200 a month; and if either one dies the other will continue to draw $200 or perhaps $300, as stated by Dr. Townsend.

I am satisfied we have a million or more needy widows in this country with young children who are far under 60 years of age, and we have hundreds of thousands, and perhaps a million or more, of people who are poor and needy and are totally and permanently disabled by accident or disease who are under 60, and there are hundreds of thousands of needy blind in this Nation. This bill does not give any relief to them, and under the gag rule under which this bill was brought in there is no way on earth to amend it to give any relief to needy disabled veterans, to needy widows, needy blind, or needy disabled persons under 60 years of age.

I wonder how many working people or poor farmers in any community would be willing to be taxed about 20 percent of their wages, salaries, or income to give to some wealthy man and his wife from $400 to $600 a month merely because they are 60 years of age.

KENTUCKIANS WOULD BE TAXED $532,259,460 ANNUALLY

The people of Kentucky feel that they are heavily taxed to carry on their State government, for highways, schools, charitable and penal institutions, and for other purposes. The total cost of Kentucky's State government is approximately $25,000,000 a year. Under the Townsend plan, as stated by Dr. Townsend, the Federal Government would collect from the people of Kentucky in the way of transaction, income, consumers', and sales taxes $532,259,460 to pay the pensions under the Townsend plan for a single year. In other words, Dr. Townsend and his friends insist that I vote for a bill that would tax the people of Kentucky and to a large extent the farmers, workers, and common people, 20 times the amount they are now taxed to carry on all the activities of the government of the State of Kentucky. The $25,000,000 spent by the State of Kentucky is for the benefit of all the people of Kentucky. This $532,259,460 would be turned over to about 9 percent of the population of Kentucky.

I have never heard of a proposal more fantastic or more inequitable than the bill now before us. Only five of the people in my district have asked me to vote for it, and I am thoroughly convinced if they made a study of Dr. Townsend's testimony alone these five would not ask me to vote for this bill.

Last year we spent for pensions and compensation, hospital treatment, and all other activities for and in behalf of the millions of defenders of our country and their widows and orphans $539,000,000. Under the Townsend proposal we would collect from the people of Kentucky and turn over to 9 percent of Kentucky's population $532,259,460—thousands of them in perfect health at 60 and with plenty of money in the bank and broad acres of fertile land.

FAVOR FEDERAL GOVERNMENT PAYING $25 MONTHLY TO NEEDY, AGED, BLIND, AND DISABLED

I have always favored and urged adequate old-age pensions for the needy old people of this country, the needy blind, the needy disabled, and the needy widows and their children.

The President's social-security bill, which included old-age pensions, left it up to the States to fix the conditions under which persons could secure old-age pensions and fix the amount thereof, and the Federal Government would pay half of the amount paid out by the respective States for old-age pensions. When that bill was under consideration in 1935 I offered an amendment which provided that the Federal Government would pay at least $25 per month to each needy person 60 years of age or over, $25 per month to each needy blind person, and $25 per month to each person totally and permanently disabled by reason of being crippled or diseased. I took the position that needy blind people and needy disabled persons even though not 60 years of age required assistance just as much as needy persons over 60 years of age. President Roosevelt was against my amendment. They had a majority in the House of about 3 to 1. My amendment was defeated by the administration, its leaders, and supporters.

If my amendment had been adopted, every needy person 60 years of age or over, every needy blind person, and every needy permanently disabled person would now be receiving at least $25 per month from the Federal Government. If a needy person 60 years of age or over had a wife 60 years of age or over, blind or disabled, she would likewise receive $25 per month. They both together would receive $50 per month. I offered that amendment and tried to have them adopt it because I knew Kentucky and many other States would fail to provide adequate pensions for these groups and politics might enter into the administration of the old-age pension law.

OLD-AGE PENSIONS OF KENTUCKY AND OTHER STATES INADEQUATE

The Kentucky Legislature, controlled by the Democrats, under the present Social Security Act fixed the minimum age at 65 and the maximum pension at $15 a month. In other words Kentucky under that law would not put up more than $7.50 per month per person and, of course, the Federal Government could not put up more than $7.50 per month as a maximum. In the administration of the old-age-pension law in Kentucky many needy old people 65 years of age or over receive as low as $4 and $6 per month, and the average pension paid to them has been less than $9 per month.

The Republicans in the Kentucky House and Senate at the last session of the Kentucky Legislature offered an amendment to increase the maximum to $30 per month, $15 to be paid by the State of Kentucky and $15 to be paid by the Federal Government, and every Republican in the house and senate voted for that amendment, but the Democrats defeated that amendment and prevented any change in the Kentucky law, fixing the maximum at $15 per month, and in actual practice the old-age pensions that have been paid on an average are less than $9 per month. Furthermore, according to the report of the director of old-age pensions in Kentucky, about 90,00 needy old people have made application for old-age assistance, but only about 45,000 have been put on the pension rolls at less than $9 per month on an average. I have been advised in letters from the director of old-age pensions that thousands of these needy old people must be denied pensions because the Kentucky Legislature, controlled by the Democrats, has failed to provide sufficient funds to take care of the needy old people of Kentucky 65 years of age or over at the pitiful and inadequate rate of less than $9 a month. I know of no case where the husband is getting an old-age pension that such pension has also been granted to the wife. However, there may be such cases.

We have had lots of politics in the administration of old-age pensions in Kentucky. I understand there has been some improvement. In one rich farming Democratic county of Kentucky of about 10,000 population, more old-age pensions have been granted than in a poor Republican county with approximately 30,000 population. In my own congressional

district I have observed the old-age pension administration being used in city, county, State, and National races. In my amendment I hoped to take the old-age pensions out of politics and to give to the needy old citizens of the United States the same consideration. In Kentucky they get less than $9 a month on an average. In Mississippi I am informed they receive about $4 per month, while in some States they receive more than $30 per month. We must take old-age pensions and other relief out of politics. Politics has no place in human misery. These pensions should go to the needy. Our old-age pension program should be honest, impartial, and should be adequate. The State and Federal Government should provide at least $30 per month for each needy old person.

If I desired to play politics on this measure I would speak and vote for it, and if possible get it passed in the House and Senate and send it to the White House, because I know and we all know the President is against this bill and will veto it if we pass it.

One of my Democrat friends from Florida stood up and voted against my amendment to the President's social-security bill in 1935. Today he made a speech for the Townsend bill and talks about economic royalists being against this bill.

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

Mr. ROBSION of Kentucky. I am not referring to the gentleman from Florida [Mr. HENDRICKS], it was another Member from Florida. The President spoke of a lot of people in the South as being feudal lords. I see a lot of the feudal lords of the South are against this bill today. [Laughter.]

Mr. WHITE of Idaho. Has the gentleman read the bill?

Mr. ROBSION of Kentucky. Yes; I have read the bill and I understand what I read and know more about the bill than the gentleman who is trying to interrupt me. [Applause.]

If Dr. Townsend and his friends had not agreed to this gag rule and had insisted on bringing the bill in under an open rule so that we could amend and improve it, we could then have worked out amendments that would greatly benefit the needy old people of this Nation, but Dr. Townsend thinks and talks in terms of a pension of $200 per month and to be increased to $300 per month to every one 60 years of age or over whether they need it or not. Why should he and his friends continue to shadow box? Why not come down to earth, and instead of promising impossibilities, support measures that will bring real benefits to those who need them?

Last year the American people paid for all taxes for schools, towns, cities, counties, States, and the Nation, about $15,000,000,000. Under Dr. Townsend's plan it would take $28,800,000,000 to pay each person 60 years of age $200 a month. The total amount of taxes collected last year amounting to $15,000,000,000 was for the benefit of 130,000,000 people. Twenty-eight billion eight hundred million dollars proposed under the Townsend plan is to be turned over to 12,000,000 people, only about 9 percent of our entire population. This proposition is fantastic, unworkable, unreasonable, and I cannot support it. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 4 minutes to the gentleman from Wisconsin [Mr. SCHAFER].

Mr. SCHAFER of Wisconsin. Mr. Chairman, having some love and affection for my country, I shall be pleased to vote to send this half-baked, crackpot legislative monstrosity back to the committee for consideration and a committee report.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. SCHAFER of Wisconsin. I regret that I cannot yield to the gentleman as I have only 4 minutes.

I ask my Republican colleagues who denounce the New Deal drunken, spending spree, my Republican colleagues who weep crocodile tears about an unbalanced Budget, and who express fear that it will result in bankruptcy and inflation, to hesitate before you support his $8,000,000,000 pyramided sales-tax measure.

To those Republican colleagues who vote for this legislative monstrosity, let me say I do not want to hear another word of criticism of the New Deal spending spree, unbalanced Budget, or free-trade policies. [Applause.]

Mr. Chairman, Republicans have denounced the New Deal reciprocal-trade agreements day in and day out. We take a position to preserve our American market for our American producers to their full capacity to supply it. We are considering under a gag rule this bill which will raise $8,000,000,000 through a pyramided sales tax and increase the cost of every manufactured, agricultural, and industrial product about 20 percent.

Since this bill does not provide for an increase in the tariff rates on foreign competitive imports and under the gag rule an amendment to do so is prohibited, the enactment of the bill will throw millions of our people who are now employed into the ranks of our unemployed, who now number about 12,000,000. The enactment of the pending bill will be equivalent to a 20-percent reduction in all existing tariff rates and will result in a flood of foreign imports which do not have to carry the burden of most of the pyramided sales taxes which American products with which they compete must carry under this Townsend bill.

Mr. Chairman, we read in Holy Writ:

> Or what man is there of you, whom if his son ask bread, will he give him a stone.

Mr. Chairman, the record indicates that Dr. Townsend is that kind of a man and a first-class demagogue, faker, and racketeer. He first promised our elderly people $200 a month. He has changed his bill many times and now states that the pending bill, which is his latest version, will give them about $60 a month. Notwithstanding this fact, many of Dr. Townsend's followers still believe they will receive $200 a month pension because the doctor adroitly incorporated in the pending measure a provision that the pension should not exceed $200 a month.

Every working man and woman in America will have their cost of living increased about 20 percent if this bill with its super sales tax becomes law. The W. P. A. worker who is now getting $60 a month will have his cost of living increased 20 percent. The increased cost of living under this bill will in effect be equivalent to a 20-percent reduction in the pay check of every worker in America and the compensation check of all disabled American war veterans, their widows, orphans, and dependents.

Mr. Chairman, all conservative Jeffersonian Democrats and Republicans who adhere to the philosophy of Abraham Lincoln should join and overwhelmingly defeat this bill, and send word to the country that we still have sanity in government. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 6 minutes to the gentleman from Maine [Mr. OLIVER].

Mr. OLIVER. Mr. Chairman, did someone mention something about demagogy? It seems to me we have just witnessed one of the most flagrant examples of demagogy by the gentleman who just preceded me. We have heard this afternoon speakers rise in the Well of this House and tell us that the economists are not in favor of this Townsend principle or plan, those same economists, Mr. Chairman, who perhaps had a great deal to do with writing the present monstrosity that is on the books of this Nation in the form of the present Social Security Act. We have heard Members get up in the Well of the House this afternoon and tell us about the proceedings that occurred before the so-called inquisition committee, headed by the honorable gentleman from Missouri, 3 years ago and we have heard those arguments cut and dried and rehashed over again this afternoon, all water over the dam, and absolutely nothing to do with the economic problem or the economic principle contained within this particular piece of legislation.

Mr. Chairman, as one Member of Congress, I welcome this opportunity to be placed on the spot with reference to the issue presented here today. Furthermore, I am deeply grate-

ful that the opportune moment has finally arrived when I can arise on the floor of this House and support the Townsend principle of old-age pensions or annuities as presented in the legislation now pending before this great body.

I am pleased and motivated to this action, not only because thousands of good citizens in my congressional district and State desire it, but also because I am sincerely convinced that a distribution of social dividends to millions of our people through the medium offered in the pending bill is entirely necessary and most desirable in the best interests of our national economy.

In order to appreciate the vital economic significance of this proposition, we must face fearlessly and boldly the fact that the capitalistic economy of this Nation which we all desire to have preserved and perpetuated must be continually underwritten or subsidized. My conception of the national economy under a system of free competition and free governmental processes leads me to the conclusion that this underwriting or subsidizing has been found during our past history in the incident of savings or debt accumulations. In this connection, the recent testimony before the Temporary National Economic Committee to the effect that an additional debt accumulation through the medium of self-liquidating public projects is necessary in order to reemploy our idle millions and to repay existing debt through pay rolls is most pertinent and interesting.

No person will deny that our great material progress has been made possible by the fact that we have builded on the sound rock of thrift. But, the large majority of those who concern themselves about our economic destiny apparently lose sight of the fact that for every dollar of savings accumulated through thrift and put to interest-bearing investment use, there must necessarily be a like dollar of debt. Therefore, we will find that in periods of expansion or so-called prosperity we have our savings for the most part translated into evidences of debt. In other words, debt expansion goes hand-in-hand with savings as they are accumulated and invested. When large amounts of savings, being used in the investment or speculative markets, have caused the expansion of debt to a point where the service charges and principle payments of that debt load can no longer be met without a serious diminution of current purchasing power for the ordinary demands of life, then we have a breakdown of this process or cycle. A depression results. Debt obligation cannot be met and we have a period of liquidation. During this period, it seems to me that any debtor who cannot pay off is in the position of having received a subsidy. He has received something which he does not pay back. He has been underwritten. The greater the debt expansion, the more serious the depression. All this means to me that in order to utilize our plant structure and make job opportunities available in mass volume, we always have and must continue to underwrite our economy with subsidies to somebody.

During the World War we underwrote our economy through the medium of millions of foreigners when we shipped them a tremendous volume of goods and services, for which we accepted evidences of debt. We gave them these things because we never received the payment for those things. In my opinion, we never shall. But while we were thusly subsidizing our allies in World War days we had full employment at home.

During the peacetime era of 1922–27 we did the same thing with South America and Germany. We gave them steel, copper, cement, and all sorts of construction materials. We gave them real wealth in return for worthless bonds which will never be paid. But, while we were doing so, we experienced full employment in this country. It is true that in this period we were also piling up debt tokens domestically in the form of installment purchasing and speculative gambling. This, however, only accentuated our so-called good times. People who were willing and able to work could find jobs in private enterprise. Each was to this degree the master of his own destiny—a situation which does not prevail today, and for which we as Members of Congress are to a large degree responsible—and a situation which legislation of this type will help to meet.

Now then, Mr. Chairman, I can only draw one conclusion from our past experience and that is that underwriting our economy is just as essential to our well-being as breathing is to life. We must underwrite either through increasing and continuing debt accumulation, publicly or privately, or we must devise some monetary and tax vehicle for riding through the storm of deflation and depression on a cash-and-carry basis. One thing is certain and that is that mass production can only be made possible by mass consumption. Furthermore, one other thing is certain and that is that any underwriting of our economy should be confined to our people and not spread out to foreigners as it has been in the past. If we must subsidize millions of people, and I believe that is the case, then these recipients should be our own. Of course as their answer to the present economic paradox, international bankers will advocate, as one did recently before a Senate committee, the spreading of our surplus gold supply over foreign nations. In other words, his idea was the underwriting once again of foreigners to accomplish full employment in America. Mr. Chairman, my idea and the idea of Townsendites is that any spreading of gold, dollars, or goods and services should and must be confined to our own people within our own borders. This pending legislation is based on this very proposition. We believe that the plant structure of America is fully capable of producing an abundance of goods and services to the end that our people, both aged and young, may live as citizens of the greatest and wealthiest Nation should live. Furthermore, we believe that the American people are demanding that legislative action be forthcoming to make this possible under the process of free institutions and the competitive system of economy.

In the past history of our economy, as I have attempted to indicate, we have prospered because we have expanded, through the use of credit and its corresponding debt, the purchasing power of our people. We have permitted private bankers and financial interests to monetize private credit or debt on a pyramiding basis. We have allowed private parties through this process to take advantage of a sovereign and constitutional right of this Government of ours. By so doing, however, at least we obtained, for temporary intervals of time, prosperity. We made it possible for our Nation to work at productive and private enterprise. We gave individuals who were willing and able to work the opportunity for gainful occupation, which in turn furnished each and every person the chance to carve out his own economic fate. During the years since the Federal Reserve Act has been in operation we have gone one step further. Since that time we have permitted the same private interests to monetize public credit or debt through the so-called purchase of Government bonds. During these days of constant and heavy public-debt accumulation we have witnessed work-relief opportunities being made for a chosen class of our unemployed employables on a pittance level. This has been done on the theory of making new purchasing power, but it has been restricted and inhibited by the process of monetizing public credit or debt through the private medium referred to above. Now we have the build-up being developed before the Monopoly Committee: That we should further monetize credit or debt by the creation of additional credit institutions and the further insurance of business loans by the Federal Government. In other words, every time that any economist, financier, or brain truster opens his bazoo about new purchasing power, he predicates his recommendations for increasing our money supply and the use of the same by immediate consumers on some vehicle for the monetization of debt or credit? Why is this? Why this continual obeisance to debt or credit which is the same thing? Why do these experts not think in direct terms of production? Why beat around the bush indirectly in a mad rush to create more debt or credit in order to put into use more purchasing power? If, in order to effectuate a full utilization of our idle manpower and our idle plant structure we must give away a certain percentage of our production, why not face the issue frankly and ascertain the proper domestic vehicle to employ whereby such a distribution may be made with the least amount of demoralization and the greatest amount

of productive employment? Obviously, pensions offer the medium and our worthy people economically unemployable as a result of age offer one deserving and practical vehicle for such underwriting. In other words, let us monetize production directly in lieu of an indirect monetization based on debt or credit and furnish our people over 60 years of age with a share of that production—a share large enough to keep them in complete comfort for the balance of their declining years. This is not a matter of sentiment. It is a matter of cold, hard common sense. Foreign markets are not necessary for the consumption of our surpluses as long as millions of American citizens are starving, cold, and indecently sheltered.

Monetization of our productive capacity without debt, distributed through the medium of pensions and taxation, will reach the root of our trouble. But this continual approach along the line of establishing bigger and better credit or debt bases is only playing with dynamite. The failure to face this issue honestly and openly now, in my opinion, is the last straw that will break the camel's back. Remember that somebody's credit is somebody else's debt if the credit is put to interest-bearing use. The more that the debt bubble is expanded, the sooner and worse will be the explosion. This Nation or any other people can never effect permanent and full employment of our employables by attempting to restore and continue our economy on a base of debt or credit. The underwriting of our unemployables with goods and services will employ our employables, just as quickly and much more effectively than doing the same thing for foreigners in foreign markets. But the starving of our unemployables and the underwriting of our employables through the pittance existence of W. P. A., and the debt base of P. W. A., is basically and essentially crackpot. It cannot succeed and will eventually bring this Nation to the threshold of disaster. According to my interpretation, Townsendism stands as the symbol of a reasonable, sensible, and proper employment of our productive plant and of our ambitious, energetic, and capable manpower.

The present Social Security Act in titles I and II does not in any way recognize the possibility of underwriting our economy through the medium of old-age annuities. Title I is an un-American proposition. It has developed discrimination between States and between citizens within the same State. It is based on the needs test and practically requires the pauperization of the applicant. Merely the incident of residence in a State which is more liberal and more wealthy, places some of our worthy aged citizens in the preferred position of receiving far larger remittances than the same type of citizen receives in another State. In many States, including my own State, we find the un-American result of John Jones receiving old-age assistance and his neighbor, Sam Smith, not receiving anything although the need of both of these worthy and good citizens is absolutely on a parallel. In other words, because title I is based on a State matching dollar formula, adequate financial provisions throughout the various States to treat all alike under the law are impossible. Certainly this is rank discrimination and un-American in its very concept and practice. Title II, or the old-age insurance phase of the Social Security Act, establishes a fantastic system of contributory payments from more than 40,000,000 of United States workers. Under the amendments recommended by the Social Security Board and the majority of the able members of the great Ways and Means Committee, liberalization of existing provisions are to be provided at the expense of those savers who accumulate more over a longer period of time. In other words, the maximum payments available under this monstrosity of title II are to be decreased to pay more at an earlier date to those who would be only entitled to smaller annuities under the original formula. Thus we have here again the penalizing of one class of workers to benefit another group. In short, a further sharing of poverty by the relatively poor—a process which has been continually established by these New Deal crackpot policies.

The pending bill, whether or not it is perfect in each and every detail, at least is predicated on the proposition that American citizens should eat, clothe themselves, and dwell on a level commensurate with American dignity. It does not necessitate the pauperization of that class of our citizens to whom the present generation of workers owes everything than it has. It does not discriminate in any sense of the word against any citizen. It is based on the sound and just premise that all contribute and all collect. It does not necessitate an army of administrative employees in the States and in Washington as does the existing monstrosity with its 40,000,000 and more of 30-cent savings accounts. It does not seek to establish a reserve of paper I O U's to be paid for with future tax receipts as does the financial legerdemain of the present law. But, rather is it based on a pay-as-we-go, open, and honest tax formula, which treats all alike.

In short, Mr. Chairman, the Townsend bill and the Townsend principle recognize the need of underwriting our economy on a cash rather than a debt basis. It recognizes the need of distributing dollars directly to millions of our most worthy citizens in order to provide jobs for others in producing the goods and services which these dollars will purchase. The food-stamp financing and underwriting of our food surpluses through the medium of those on work relief is only another example of this principle, although on a most inadequate distribution basis. The Townsend principle recognizes the need of placing our old-age annuity system on a national basis in order to extend justice to all with discrimination against none. It recognizes the principle that retirement after a life of useful application should be a badge of honor and distinction and not the label of pauperization. The Townsend principle is right, just, fair, and American, and should be adopted. As one Member of the Seventy-sixth Congress, I am deeply appreciative of this opportunity to place myself on record in support of legislation which is truly based on the principle of abundance and American justice.

In closing, Mr. Chairman, let me state that America can contribute far more to civilization by solving our domestic economic paradox under a free economy and free institutions than it ever could offer by spreading itself so thinly in world affairs that all will perish in the inevitable conflict and collapse which must follow a continuance of present national and international economic conditions. The Townsend principle and the Townsend idea comprise a vital link in the chain of legislation which must be forged if America is to make its contribution to world welfare on such a basis.

Mr. DOUGHTON. Mr. Chairman, I yield 9 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, as a consistent supporter of old-age pensions and other security legislation which my time will not permit me to discuss now, I have stood on this floor and pleaded the cause of the aged citizen and never yielded in my attitude of liberality.

I insisted on such amounts to be paid jointly from the treasuries of the United States and the respective States as would guarantee to the pensioners comfort and decency of maintenance in old age.

I opposed the imposition of the pauper's oath and other degrading, burdensome, and superficial conditions. And I repeat what many of you heard me say on previous occasions on this floor, that I advocated these liberal pensions long before I was elected to Congress as a Representative of the Fifteenth District of Michigan. I was in the vanguard of the liberal-pension advocates. I carried the banner before Townsendism was ever heard of, back in the early twenties when it was very unpopular to talk about the subject. At that time such radicalism as pensions for the aged was referred to as socialism, paternalism, or rank nonsense. I hoped and prayed for the day when people of the United States would consider and adopt a sane, equitable pension plan which would ban the specter of want and poverty in old age, wiping out at the same time the curse of the poorhouse and assure our people contentment and happiness in their declining years. Providentially, I am sure I was permitted not only to work for such a bill in committee but actually to aid in its preparation and finally witness its passage. The crowning glory and satisfaction of it all was realized to the fullest extent when I was permitted to witness

at the White House the signing of the Social Security Act by our great humanitarian President who spoke briefly, though with feeling and satisfaction, about the measure which was to all intents and purposes a good beginning of a great and noble undertaking. To me the Social Security Act is the one sound and certain plan which will be liberalized as you will see for yourselves to such an extent as will justify the confidence of the Congress and of the people. The plan which will be presented is not as generous as I would like it to be but it is basically sound and elastic enough to be further liberalized and expanded as time, conditions, and finances of the Nation will permit.

I never misled anyone as to my attitude about the Townsend plan; I analyzed it carefully, open-mindedly, and for the following reasons I felt and declared that I could not support it. I took the lashing of the Townsendites in 1936 and again in 1938. Fakers who would not vote for a monthly pension of 200 cents masquerading as friends of the Townsend movement were given the blessing of Townsend leaders, and the mass vote of misguided, sincere, old folks was directed to favor their worst enemies to the detriment of myself, who never missed the chance to speak, act, and vote for liberal pensions.

The Townsend plan as presented to you according to the mass testimony contained in the hearings on the social-security bill, given by witnesses of unimpeachable character, whose standing cannot be questioned in the field of business, social reform, economics, actuarial science, labor, and church affairs, is preponderantly and unmistakably in opposition to the scheme. There is a most significant unanimity of opinion that the plan would bankrupt the Nation; that it would place a crushing tax upon the great mass of our workers, farmers, storekeepers, small-business men, upon widows, orphans, and the poor, who are least able to bear them. Transactions taxes, with the added gross income tax graduated, as in the modified Townsend bill, H. R. 6466, would destroy business, increase unemployment, and accentuate misery and want, provided it was constitutional. Think of the possible effect upon the cost of clothing, milk, meats, and staple food products. Take bread as a good illustration; the accumulated transactions taxes, which are nothing less than multiple sales taxes, would be applied at the rate of 2 percent at least a hundred times before you bought a loaf from your grocer. This multiple sales tax would begin piling up even before the wheat was planted and before the seed wheat was purchased by the farmer. The farmer would pay the tax on seed wheat; someone would pay on the hauling, planting, harvesting, selling, storing, shipping, and then the elevator operator comes in for additional multiple taxes. The same applies to the miller, the baker, the distributor, and the grocer. Railroads, middlemen, buyers, brokers, distributors, and supply houses would all have to pay the tax. Every worker, whether on the farm or in the mill, bakery, grocery, or delivery service—anyone and everyone who had to do with any transaction in connection with wheat and the ultimate bread would pay one or more times, and altogether the taxes would be added to the cost, and the consumer would finally pay it all. Testimony bears out my contention that the Townsend plan would not remove from the pay rolls but a very small number of men who are now in active employment at the age of 65 or even at the age of 60 years. The fact of the matter is that industry does not employ men, and much less women, of that age. They are the exception as to employability, not the rule. Industry geared to high speed and efficiency today rejects workers after their forty-fifth year. Such men as are employed at the age of 65 are self-employed in their own business, and few are they in number who would give up their business even for the Townsend plan.

All economists and experts who testified agree on what I have always contended, that the Townsend plan does not create new wealth; quite the contrary, it stifles the natural process of growing wealth. It does not and cannot speed up purchasing power. It merely shifts the purchasing power from the younger folks and transfers it to the old folks. It deprives the younger folks of money which they need to meet the pressing responsibilities of clothing, feeding, housing, and educating their families, restricts their activities in every instance where their means, often limited, are vitally needed. Those younger men and women with their family responsibilities, with keen appetites, ambitions, and desires, will be taxed into stagnation and paralysis in order to pay a Townsend pension, which the old folks are led to believe will amount to $200 per month. The old folks no longer having the responsibilities, desires, appetites, ambitions, or inclinations, will have to be lashed to spend the amount of their pension in order to get rid of it within the prescribed period of time specified in the bill before you. You cannot argue that you are going to put on full speed ahead when you propose a plan that is perfection in reverse. If you want to add velocity to the dollar, speed up recovery; or if you want to put the money into such hands as can spend it quickly and for useful purposes, and where the physical stamina is present to sustain forced spending, then reverse your proposition and pay the pension under the Townsend plan to those under 65 years of age, leaving the Social Security Act to provide decent, livable, certain pensions for our worthy old folks.

I cannot vote for this bill, because I have calculated very carefully the costs in added taxes which might be levied upon the people of the State of Michigan, and particularly upon the people of the Fifteenth Congressional District, which I have the honor to represent, in the event this bill should pass.

Here are some cold, merciless figures which I must face: Michigan paid for 1938 internal-revenue taxes in the amount of $308,182,920.50. If the Townsend bill becomes law the people of Michigan will be forced to pay an added $147.69 per capita tax. That means for every man, woman, and child, if 8,000,000 pensioners are placed upon the Nation's pension rolls, or $706,401,270. If 10,000,000 pensioners are to be enrolled—and this figure, according to expert testimony, will eventually be increased—then the added per capita tax for the Townsend pension plan rises to $184.62 for every man, woman, and child in the State, reaching the stupendous total figure of $883,037,460 for this purpose alone.

Thus the grand total of all prospective and existing Federal impositions would be the sum of $706,401,270 plus $308,182,920.50, or $1,014,584,190.50, provided the pension rolls did not exceed 8,000,000 pensioners.

If 10,000,000 pensioners are to be provided for throughout the Nation, Michigan taxpayers will have to pay a "little bit more." You will add present internal-revenue tax of $308,182,920.50 to $883,037,460, making a total of $1,191,220,380.50.

If the pension paid is to be $100 per month, Michigan will pay $661,383,555.50, or $749,701,650.50, depending upon whether 8,000,000 or 10,000,000 pensioners are to be provided for. These last figures should be reduced on the same basis if $50 per month is to be paid, so as to read as follows:

Total taxes $484,783,237.50, or a total, including present Federal taxes, of $528,942,285.50.

If the people of my district want me to vote for the Townsend plan, and I am sure they do not, then I want them to know the cost of Townsend's folly.

Using the same basis of per capita tax payments upon the 378,630 people living in my district—population of 1930—and the same number of pensioners, the table works out in this manner and in the following totals:

Estimated pension tax collectible annually under the Townsend plan as it would apply to the Fifteenth Congressional District of Michigan (population of 1930, 378,630)

Number of pensioners	Rate of pension	Per capita tax	Total annual pension tax to be collected, Fifteenth District
8,000,000	$200	$147.69	$55,919,864.70
	100	73.84	27,959,932.35
	50	36.92	13,979,966.17
10,000,000	200	184.62	69,902,670.60
	100	92.31	34,951,335.30
	50	46.15	17,475,667.65

Those figures are nearly as large as the entire tax budget of the city of Detroit. If tax burdens are to make my people happy and contented they certainly ought to be happy with what is in prospect for them under the Townsend plan.

I will put into the RECORD a table of added taxes which would be collectible over and above the internal-revenue taxes paid by the various States of the Union, and I invite you to read them, study them, and I am sure they will interest you, even if they do not convince you that the Townsend plan is folly, sheer madness, which will destroy the Government and wipe out all the gains thus far made under the social-security plan. Such a blow will set us back so far that we will never dare talk of pensions of any kind in the dismal future.

I have served my constituents faithfully, earnestly, and, I hope, reasonably well. If I am in error in this instance, if I have inadvertently failed to sense their desires as regards the Townsend plan, then bless my soul. They who by their support and suffrage sent me to Congress will likely order me to stay home. I know they will be pleased, however, in knowing and hearing repeated my statement that because I am convinced that the Townsend plan is a snare, a delusion, and a dangerous experiment that I shall have to vote against the bill. I would rather be right than in Congress. [Applause.]

THE TOWNSEND PLAN

Estimated additional tax burden necessary to pay maximum pensions of $200 per month to 8,000,000 and 10,000,000 persons, based upon per capita cost computed on population of 130,000,000

Pensioners	Maximum pension $200		Maximum pension	
	Annual cost	Per capita cost	$100 per capita cost	$50 per capita cost
8,000,000	$19,200,000,000	$147.69	$73.84	$36.92
10,000,000	24,000,000,000	184.62	92.31	46.15

Cost of Townsend plan, by States (on per capita basis—1936 estimated population, 128,884,000)

State	Actual internal-revenue collections 1938	Estimated additional cost maximum of $200 per month—	
		8,000,000 pensioners	10,000,000 pensioners
Alabama	$16,929,203.24	$422,984,160	$528,751,680
Arizona	4,513,075.19	59,962,140	74,955,720
Arkansas	8,046,468.34	298,776,870	373,486,260
California	315,570,028.00	894,853,710	1,118,612,580
Colorado	34,282,573.53	157,437,540	196,804,920
Connecticut	96,310,529.35	256,094,460	320,131,080
Delaware	80,717,110.47	38,251,710	47,816,580
District of Columbia	35,760,942.29	91,420,110	114,279,780
Florida	42,959,445.41	242,506,980	303,146,040
Georgia	33,724,693.09	451,931,400	564,937,200
Idaho	4,362,441.74	71,619,650	89,540,700
Illinois	497,963,517.42	1,158,628,050	1,448,343,900

Cost of Townsend plan, by States (on per capita basis—1936 estimated population, 128,884,000—Continued

State	Actual internal-revenue collections 1938	Estimated additional cost maximum of $200 per month—	
		8,000,000 pensioners	10,000,000 pensioners
Indiana	114,163,319.54	510,859,710	638,600,580
Iowa	24,593,358.38	375,575,670	469,488,660
Kansas	24,637,081.03	278,543,340	348,193,320
Kentucky	122,200,619.24	425,790,270	532,259,460
Louisiana	45,786,260.99	313,398,180	391,763,640
Maine	15,075,260.28	125,979,570	157,480,860
Maryland	108,973,372.02	247,233,060	309,053,880
Massachusetts	186,277,559.11	653,528,250	816,943,500
Michigan	308,182,920.50	706,401,270	883,037,460
Minnesota	71,466,304.30	389,163,150	486,473,700
Mississippi	6,610,539.32	296,561,520	370,716,960
Missouri	134,617,025.97	584,704,710	730,910,580
Montana	6,000,459.32	78,423,390	98,033,220
Nebraska	20,991,112.10	201,449,160	251,821,680
Nevada	4,925,530.06	14,769,000	18,462,000
New Hampshire	9,196,853.32	75,026,520	93,786,960
New Jersey	210,509,618.66	639,202,320	799,035,360
New Mexico	2,958,951.78	62,325,180	77,909,640
New York	1,244,298,641.03	1,910,370,150	2,388,059,700
North Carolina	327,018,171.48	510,564,330	638,231,340
North Dakota	1,579,263.21	103,826,070	129,787,860
Ohio	335,417,098.89	991,442,970	1,239,354,060
Oklahoma	62,661,773.46	373,360,320	466,719,360
Oregon	14,939,960.63	150,200,730	187,758,540
Pennsylvania	475,316,900.31	1,496,985,840	1,871,308,320
Rhode Island	32,478,532.75	100,576,890	125,726,220
South Carolina	112,101,084.27	274,703,400	343,393,200
South Dakota	1,970,673.23	102,201,480	127,757,040
Tennessee	32,142,317.67	422,984,160	528,751,680
Texas	139,526,049.31	903,419,730	1,129,320,540
Utah	8,138,003.37	76,208,040	95,263,920
Vermont	4,735,769.45	56,122,200	70,155,600
Virginia	202,403,845.49	394,479,990	493,120,020
Washington	35,395,703.22	251,811,450	314,777,100
West Virginia	24,348,370.55	270,272,700	337,854,600
Wisconsin	96,981,214.96	429,482,520	536,874,960
Wyoming	3,352,877.76	34,411,770	43,016,460

Estimated additional cost of paying pensions of $100 per month is ½ of above estimates; $50 per month, ¼ of above estimates.

Estimated pension tax collectible annually under the Townsend plan as it would apply to the Fifteenth Congressional District of Michigan (population of 1930, 378,630)

Number of pensioners	Rate of pension	Per capita tax	Total annual pension tax to be collected in Fifteenth District of Michigan
8,000,000	$200	$147.69	$55,919,864.70
	100	73.84	27,959,932.35
	50	36.92	13,979,966.17
10,000,000	200	184.62	69,902,670.60
	100	92.31	34,951,335.30
	50	46.15	17,475,667.65

Taxes shown in fourth column for Townsend pension payments to be superimposed and added annually to present internal-revenue taxes.

State of Michigan total tax burden

	Estimated additional cost, maximum pension $200 per month		Estimated additional cost, maximum pension, $100 per month		Maximum pension, $50 per month	
	8,000,000 pensioners	10,000,000 pensioners	8,000,000 pensioners	10,000,000 pensioners	8,000,000 pensioners	10,000,000 pensioners
Actual internal-revenue collections, 1938, $308,182,920.50	$706,401,270.00	$883,037,460.00	$353,200,635.00	$441,518,730.00	$176,600,317.00	$220,759,365.00
	308,182,920.50	308,182,920.50	308,182,920.50	308,182,920.50	308,182,920.50	308,182,920.50
Total taxes	1,014,584,190.50	1,191,220,380.50	661,383,555.50	749,701,650.50	484,783,237.50	528,942,285.50

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Indiana [Mr. LANDIS].

PAY-AS-YOU-GO PENSION

Mr. LANDIS. Mr. Chairman, look at this picture:

Under our present social-security system we favor Mr. Doolittle and penalize Mr. Tryhard. Mr. Tryhard has worked hard all of his life at moderate wages. He took his duties as a husband, father, and citizen seriously. He bought a modest home through the building and loan, and through the years deprived himself and his family of many pleasures in order to meet the payments on that home. He gave his children an education. He never at any time in his life had to go to the township trustee for aid. He reached the age of 65 broken in health, with no income except that from his garden and chickens. His little home was all paid for and clear of mortgages. He filed for old-age assistance. The investigator deducted from his food account the income derived from his garden, eggs, and chickens. He was forced to reduce his $1,000 insurance policy to $250. He was forced to mortgage the little homestead and pay 3-percent interest.

Mr. Doolittle arrived at the age of 65 and applied for old-age assistance. He never did an honest day's work in his life. He took the attitude that the world owed him a living. He married young and brought up a large family. None of them was able to give any assistance. Henry was a W. P. A. boss; John was on the Resettlement farms; Jim joined the Army;

Joe was a timekeeper; and poor Tom was on the penal farm. The girls were all married, but they did not do so well. Jane was doing better than the others. She was supervisor on a sewing project since she got her divorce. Since Mr. Doolittle had no property, no income, and no source of income, he was recommended more money per month than Mr. Tryhard.

In the State of Indiana the average amount for old-age assistance is $16.39. The lowest county receives an average of $7.46. The highest county receives an average of $24.66.

Let us give our old people, all of them, a liberal pension without any strings to it, at no more cost to the taxpayer. Let us do away with the hundreds of thousands of dollars we are spending for useless help and give that money to our old folks instead. Our old people want security and peace. They do not want to be upset every 6 months by a Government reinvestigation to see whether or not they have gotten rich from their allowance during the last 6 months. Let us stop the Government from going any further into the real-estate business. We must assure our old people a just pension for all, instead of the grossly unfair and unjust assistance they are now receiving.

I believe in a pay-as-you-go plan for old-age security. A revenue tax of one-half to 2 percent, given our old people over 60 years, will increase buying power and help employ our idle millions. These people must be American citizens. They must spend it every 30 days for American-made and American-grown products. They must retire from any gainful pursuit.

The 1 percent gross-income tax in Indiana has provided $700 per teacher in salaries of nearly 20,000 teachers. It has permitted the State of Indiana to match the county units of government dollar-for-dollar on welfare costs. It has reduced the property tax one-third in our State. The gross-income tax is not passed on to the consumer.

A revenue tax of this kind in the State of Indiana will produce $73,500,000 per year. The number of old people that would be eligible is approximately 200,000. If all of them decided to retire from their jobs, they would receive $30.50 the first month. As business increases, their amount will increase. This pension will give three square meals a day to 8,000,000 families in America. This plan will establish better markets for our farmers, abolish poorhouses, eliminate a large percent of the crime in our Nation, strengthen religious organizations and do away with much unemployment.

Public opinion has decreed that the old-age pension is here to stay. Taxes will be collected in every community, and the money will come back to every community. Everyone will be guaranteed an old-age pension policy at the age of 60.

We have appropriated billions for battleships, millions for dams, Government-owned power plants, wildlife and soil conservation. We guard the flying geese and ducks and we protect the mineral wealth under our ground. I believe it is time we started to conserve human beings, to make life comfortable for our old folks, and at the same time make life secure for our younger people by making them certain of jobs, plenty of food, and the comforts of life.

All we ask is that you give this plan a trial for 1 year. If you believe our old people should have $30 to $50 per month, vote for this bill. If you believe they can exist on $6 to $26 per month, vote it down.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. BOLLES].

Mr. BOLLES. Mr. Chairman, since the beginning of civilization there have been three great motivators of the human race, (1) obtaining power, (2) accumulation of wealth, and (3) the abolition of poverty.

The most stupendous task in this world is the abolition of poverty. It cannot be done by the system that demands that, because we cannot, or are not all rich, we should all be poor. This tremendous work cannot be done in a generation. It cannot be accomplished by mere homilies. It must begin with the child. This bill is but a step toward that goal. Its benefit is not alone for the aged; it is to make a place for the youth. The underprivileged, whether from morals or finances or physical defects, environment, or heredity, call aloud to us and demand a share of the profits we have made in placing each in a way for independence as against dependency. We need to turn some of these profits we are permitted to make into a profitable investment in humanity. Into the port of missing girls each year sail 80,000 of our daughters. They seldom are found and few return.

The greater the spread of prosperity the greater need there is for the abolition of poverty. In making profits we have also lessened but not defeated poverty.

Tremendous things demand accomplishment. We have poverty with us yet. Poverty will never be eliminated by charity. It will never be abolished by giving gifts. Poverty is not always a crime. Poverty is a reflection on all of us. We have fallen down somewhere in the building of the social organization. We have resolved and theorized and gone to sleep. We see children brought into the world and thrown in the ashpit of moral degeneracy and financial restrictions and give the family a sack of oatmeal through the poormaster or a ton of coal from the associated charities or a job on W. P. A. We hand the illiterate and starving a printed formula for thrift and uplift. We give a dinner with swelling chest to stuff the body of the poor while the soul is starving. We try to be charitable and only feed cupidity, permit the soul to atrophy and imperil our citizenship. We make professional paupers by writing checks for funds of which we know nothing for certain. We spend a part of the profits each year to aid the incapable who resent it. We waste millions on highly paid experts who have a new scheme each day to regenerate someone who does not need it or ask it. There are wandering boys and wayward girls to save while there is yet time.

For these we must vote as for the older people. We cannot look upon this bill as for the aged alone, but as clearing a highway for younger people into gainful operations.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. HOUSTON].

Mr. HOUSTON. Mr. Chairman, the United States is the stronghold of democratic government which in some lands has failed to meet the needs of the people, and that failure has resulted in the setting up of dictators. To avoid dictatorship, we must make democracy work here, and the best manner in which that can be accomplished is through the steady expansion of private enterprise.

America has been endowed by nature with unexcelled natural resources and we can produce within our boundaries more of the things we need than any other nation in the world. We have the men, the knowledge, the skill, and the resources to produce much more than we are now producing.

Our problem is to find the policies and the program that will assure a strong and steady flow of capital into the stream of commerce and trade, and a pay-as-you-go plan for old-age security such as H. R. 6466 will provide a pension of $50 or more to all eligible persons more than 60 years of age, enable our elderly people to live in a dignified manner befitting an American citizen, create new markets, increase employment in industry, enable young workers to take the places of those retired, eliminate the present costly and unsatisfactory relief system, and restore prosperity.

Early in 1935, when I first came to the House of Representatives, I introduced a bill to pay $50 per month to single persons and $70 per month to couples living together, but that bill was accorded no consideration as the Social Security Act was favored by the administration. About that time the revised McGroarty bill, H. R. 7154, approved by the Townsend organization, was introduced and I voted to substitute it for the Social Security Act. H. R. 4199 followed, then H. R. 2, then H. R. 6378, and finally H. R. 6466, which is before the House of Representatives and for which I am voting.

In addition to these bills, there is H. R. 5620, sponsored by the General Welfare Federation, which is a carefully prepared measure, and for which I have just received petitions

signed by residents of the Fifth Congressional District of Kansas, as follows:

Sadie Sharp, Mulvane, Kans., and 29 others.

Mrs. Neva Hutchinson, 1310 East Central, Wichita, Kans., and 59 others.

C. W. Glennie, 408 East Eleventh Street, and 29 others.

Edgar Brassier, 351 Lulu Avenue, Wichita, Kans., and 89 others.

Mrs. Jane Brumfield, Wichita, Kans., and 59 others.

A. D. Barton, 811 East Harry Street, Wichita, Kans., and 89 others.

A. D. Cooper, Lincoln, Belle Plaine, Kans., and 119 others.

S. O. Coble, 201 Southwest Fourth, Newton, Kans., and 59 others.

Sallie Davidson, Udall, Kans., and 29 others.

W. A. Darling, Mulvane, Kans., and 30 others.

Richard Cooper, 2010 South Topeka Avenue, Wichita, Kans., and 19 others.

Mrs. G. A. Delano, 1439 Otis Street, Wichita, Kans., and 29 others.

J. C. Davidson, rural route, Belle Plaine, Kans., and 29 others.

Miss Ida Swisher, 1526 Golds, Wichita, Kans., and 29 others.

Mrs. Florine Lamb, 1511 South, Wichita, Kans., and 59 others.

Julia Fox, Valley Center, Kans., and 29 others.

L. O. Coleman, 309 West Eleventh Street, Newton, Kans., and 29 others.

Frederick E. Andrews, Eaton Hotel, Wichita, Kans., and 71 others.

Fannie F. Smith, 1600 North Market Street, Wichita, Kans., and 24 others.

Mina Van Gieson, 837 Porter Avenue, Wichita, Kans., and 14 others.

Thurston Lesley, 517 South Market Street, Wichita, Kans., and 16 others.

Mrs. Jessie Lawless, 712 Laura Street, Wichita, Kans., and 20 others.

Mrs. Laura Kinsey, 319 Lulu Avenue, Wichita, Kans., and 59 others.

Mrs. B. C. Minnick, Mulvane, Kans., and 18 others.

Edna McNeese, 1436 Franklin Street, Wichita, Kans., and 29 others.

H. L. Lopshire, 355 North Gordon Street, Wichita, Kans., and eight others.

Mrs. Betty Lorenz, 426 West Second Street, Wichita, Kans., and 29 others.

Edd Lindsey, Mulvane, Kans., and 20 others.

Anna Stacy, 304 Southwest Fourth Street, Newton, Kans., and 29 others.

J. F. Winger, 117 Southwest Second, Newton, Kans., and 29 others.

Ida Young, 318 Riverview, Wichita, Kans., and 29 others.

I. N. Zumbrum, 319 Merchant Street, Belle Plaine, Kans., and 29 others.

May Reeder, 151p North Emporia, Wichita, Kans., and 18 others.

Etta Townsend, 406 South Topeka, Wichita, Kans., and 22 others.

F. R. Richards, 315 North Exposition, Wichita, Kans., and 82 others.

Ed. Pfaff, 909 Washington, El Dorado, Kans., and 29 others.

Arthur S. Cain, 817 South Gordy, El Dorado, Kans., and 25 others.

Jim Wilson, Sharps Hill, El Dorado, Kans., and 25 others.

Mrs. Mina Van Gieson, 837 Porter, Wichita, Kans., and 20 others.

Rose A. Rugg, 425 Smythe Avenue, Wichita, Kans., and 60 others.

During the past 5 years I have received thousands of letters from people of my district urging the enactment of a Federal old-age pension law, and it is my sincere hope that a majority of the House membership will join me in voting for H. R. 6466, which is designed to repay in a measure the debt we owe to our old folks and at the same time restore prosperity throughout the land.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Florida [Mr. CANNON].

Mr. CANNON of Florida. Mr. Chairman and Members of the Committee, I have listened with great interest to this debate today regarding H. R. 6466, and it was a matter of great disgust to me to hear so many of the opponents of this bill flaunting themselves before this membership today as "saviors of our country," despite the fact that they have offered no constructive reason or reasons why they oppose the bill in question.

Some Members who oppose this legislation have spoken on this floor as gentlemen should, while others have played the role of character assassins, scandalmongers, and resorted to villification generally, while still others of a more suave type have "toyed" with the matter and have been given to satire and ridicule of a minor nature. But it is interesting to note that everyone who has spoken from the floor today has realized the necessity of a plan for the aged offering more security to our unfortunate elders above the age of 60, who would retire from a gainful occupation.

America for the past 10 years has become more pension and relief conscious as a result of the advent of the machine age, which has stripped us of the utility of our manpower. This Congress has voted many millions of dollars for relief and semi-relief agencies. Just recently we voted $100,000,000 for W. P. A. relief; too much of which amount, it is said, will be spent administering the relief funds and too much likewise will be given to nonrelief clients, and too much will probably be given to those who do not deserve or need any relief funds. Most of which eventualities are beyond the control of this Congress or any other Congress. It is obvious to me that where relief is so broad in its scope and so far-reaching in its effect, it is humanly impossible to rid the entire program of most of its inconsistencies and misgivings. Yet, I am proud to confess that I voted for, on every occasion, the larger amounts in the order of their appearance on the floor of this Congress. I did so believing that this country owes its all, if necessary, to suffering humanity within our territorial confines. We are told now that more funds will have to be appropriated for a continuation of our necessary relief program. I shall support any measure in that direction. No one can deny, however, that every penny of money so appropriated comes from the General Treasury, depleting the General Treasury and never to be returned thereto. Under the operation of the plan known as H. R. 6466 the funds with which to operate the law are to be raised by a definite tax levy, clearly defined and classified, and the relief under the effect of this bill will not cost this Government one cent. Some of the Members have obviously confused this form of taxation and have presumed that this tax is to be heaped upon and added to the present tax system under which we now labor; but I would advise this Congress that this plan proposes to replace and displace the other relief structures and is operated under a pay-as-you-go plan. It has been stated by several speakers today that the operation of this plan would bankrupt the Government, and I say to you in all sincerity that it would not cost this Government one penny; but I do say that continuation of W. P. A. and other relief agencies, all of which, unfortunately, are necessary, will bankrupt this Government. But if the erroneous assertion that this bill would by its operation bankrupt this Government were true, I know of no other force having a right to bankrupt its own country than the people of this country, and I am definitely certain that some measure must be passed by this Congress looking toward the relief of the elders of this country, who are not employed and who will never be employed in this life unless such relief is had. And since our elders today are the youth of yesterday I cannot see why we question their right to live in the pursuit of happiness with the enjoyment of the necessary things in life, because without them, obviously, we would not be a country today.

For the few reasons above set out I ask this House to support H. R. 6466. And if time permitted there are many other reasons which I could enumerate.

To those of you who conscientiously oppose this measure I invite your further and more studious consideration, and to those of you who resort to vulgarity, stupidity, ridicule, and misrepresentation I offer my sympathy.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman from Florida [Mr. PETERSON] such time as he may desire.

Mr. PETERSON of Florida. Mr. Chairman, I rise in support of this bill. I want to compliment my colleague from Florida [Mr. HENDRICKS] for his untiring efforts on behalf of the aged of our State. There are some Members who are not definitely pledged to this bill but are in favor of more liberal pensions. I ask you today to support this measure in order that the aged of your respective States may have more liberal pensions and in order that red tape may be slashed.

I sent out a questionnaire asking how the aged in certain counties in my district would spend the money in the event this bill would pass. I shall not attempt to analyze in detail those statements, but suffice it to say that practically every type of professional or business man would get the benefit of such spending.

This bill, H. R. 6466, introduced by Representative HENDRICKS, of Florida, takes the place of H. R. 2 and is known as the Townsend plan.

Whether one sits in his office or whether one goes through his district, he cannot help seeing the plight of the aged of the Nation. Many of them, through no fault of their own, are destitute. Many of them are dependent upon their children, kinspeople, and neighbors, who are making sacrifices to assist them—sacrifices which they are glad to make, yet in many instances those same sacrifices may make them skimp on the education or even food and clothing of their own children. The passage of this bill helps not alone the aged but it helps the youth of the Nation, and it helps business and professional men. As a matter of curiosity, or maybe not so much curiosity itself but an actual desire to ascertain how the money would be spent, I sent out questionnaires. I enumerated some of the items for which the money would be spent in a previous talk which I made on the floor, and I referred to some of these items before the hearings in the Ways and Means Committee. I will not go into detail here, but I will state generally that merchants, automobile dealers, radio dealers, oculists, doctors, dentists, painters, carpenters, libraries, farmers—practically every business or profession would get the benefit of the expenditures made by the aged. The passage of this bill also will eliminate many local taxes for the upkeep of old people's homes, county farms, and so forth—places where in many instances the upkeep is out of proportion to the benefit to the aged. It will eliminate the necessity of State levies to meet the present old-age pension system. It will eliminate the dual system, which has so much red tape—investigations and reinvestigations. There will be a degree of definiteness about this pension when a person is adjudged to be entitled to it.

I would remind the Members of this House that it is not a mandatory $200 pension, as many have been led to believe. Whatever the tax brings will be distributed to the beneficiaries under this plan. Many criticisms of the plan have been due not to provisions in the bill itself but to what someone may have said, or misconstructions of what someone may have said, or false issues creeping into the consideration. Two direct objectives—one, the assistance to the aged of the Nation; the other, to place dollars in the channels of commerce—may be materially sped along the way by your support of this legislation. Some have said, "I'm not for this particular bill, but I'm for more liberal pensions." Even if you were not for this plan from the start, if you are an advocate of more liberal pensions, I ask that you cast your vote for same. My support has been of long duration, but whether you have been for it for that long or not, here is your chance to vote for the aged, for the young, for the Townsend plan, for more liberal pensions, and against red tape and delays.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Oregon [Mr. PIERCE].

Mr. PIERCE of Oregon. Mr. Chairman, the bill before this Committee of the Whole, H. R. 6466, is the outgrowth of human needs and the expression of both hope and fear. Somewhere in our path through the jungle of these difficult transition years we should have found a bypath which might better be traveled by our dependent ones—the very young and the aged. We should have set their feet on pleasanter and safer paths. We must now do all possible to allay the fears and meet the hopes and expectations of those who look to us for aid.

It is not strange that this matter of old-age annuities should have become almost a religion with millions of people. In any period the idea and the demand would have spread swiftly. Now conditions are ripe for its full flowering and fruition. The people have caught the vision. Government prodigality has made it clear that there are vast money resources which can be reached by those who have the will to find them, and can be divided among those who insistently demand a share.

In this hour of reckoning I take satisfaction in recalling that some things have been done by this administration toward social security and the democratization of our vast wealth resources. We have, for the first time in our history, acknowledged certain responsibilities as a nation for the welfare of our handicapped, underprivileged, and helpless people. Unfortunately, the provisions for old age have lagged and the realization of such benefits as have been provided has been too long deferred.

I deeply regret that this Congress has not taken cognizance of the situation and met the need and the demand by carefully considered legislation worked out in committee by experienced legislators who could have used, as a framework, the bills which have been so universally acceptable to those in whose behalf the legislation is sought. There have lately been two national groups devoted to this single and pressing problem. Each has advanced some plans and ideas fundamental to such legislation. Certain theories and requirements have been widely acclaimed only to go into the discard later. This is clear evidence that a harmonization was needed, adapted to our usual legislative procedure. The fact that this bill, lately recast, is before us for acceptance or rejection without amendment, as discussion may develop such need, rules out any and all reasons for argument as to its details. The goal toward which we have pressed in the cause of democracy was not only that such a bill should be reported out from committee for consideration on this floor, but, also, that the Members of this House might lend aid toward enactment of such legislation. We are working at cross-purposes. Those who desire that Congress shall share in shaping old-age pension legislation are disappointed in the procedure. There are many alternatives which have now and then been suggested and at times incorporated in the legislative setting of this plan. They should be open to acceptance or rejection by the Nation's lawmakers. We have had years to shape and mold old-age pension legislation, but we have left it to private agencies.

It is amazing and gratifying that the voices of our people can be raised in unison to such strength that they can be so unmistakably heard in this Chamber where the whispers of the powerful have sometimes reverberated like thunder. The support of this bill has not come from the powerful ones of our social organization, those who luxuriously foster "moral rearmament" and would save the Nation by a slogan have had no great banquets over old-age pensions nor have there been broadcasts by our royalty or near royalty for this bill. It has sprung from the hearts of people who know want and misery. During the growth of the movement millions have been meeting in every city and countryside to talk about Government affairs. This has resulted in a widespread permanent interest in all that makes for the general welfare and the preservation of democracy. The response by Government is a real test of democracy.

I believe the demand for security in old age is a reasonable one. Those in my State who are making it are our

stable citizens who have met the tests of citizenship in political and social life. They have for the most part been hard-working, kindly, self-respecting people, helpful to friends and neighbors and generous in support of a good cause. There must be a solution of their present problems which is entirely consistent with self-respect.

I have, for years, advocated old-age pensions and included such a plea in a Governor's message. Since that time conditions have grown steadily worse for the average man and woman. Our relief load in Oregon is now as great as was the total State budget when I was Governor. Under our economic development wealth has been channeled into fewer hands. The automobile, and the gas to run it, drains money with great rapidity to the Atlantic seaboard. No solution has been found for the problem of redistribution of that wealth. The uncertainties of jobs, wages, and of returns from efforts put into farming and other producing occupations have been made manifest. Savings have been exhausted. A wave of thrift-teaching propaganda led to small accumulations of money which were lost through wicked and ruthless exploitation by financial brigands who ran the banks and holding companies, and laughed at blue-sky laws and State or national regulation. Interest rates have made it impossible to live from returns on any small capital which has survived the craftily organized raids of "investment bankers." I want to say that the "loss of confidence" in business so much talked about in hearings and the press is not due entirely to legislation or Government activities but comes from a lesson learned in the "school of hard knocks." Savings henceforth will be kept in banks because we have made them safe, but they will not soon be entrusted to the Wall Street manipulators of East or West. Sons and daughters can just manage to keep homes going for their younger dependents. What in heaven's name is left for a person to count on if he is to live to what we used to call a good old age?

Action cannot wait on recovery because that will be so gradual it cannot be timed. I cannot agree with my friends who talk so glibly about recovery. As I look toward the future I cannot see anything that indicates a return to the good old times of the past when jobs were plentiful for all who desired them. Instead of recovery there must be a readjustment to new conditions. We have accepted the idea of Government subsidies, of control and intervention, of made work under W. P. A., of loans and grants of numberless sorts. Charles Beard, in his fine new work, America in Mid-Passage, tells how the press regarded proposed agricultural legislation in 1927. He says, "Metropolitan editors seemed unable to explain the phenomenon save in terms of agrarian fanaticism—as a mental disease." This was 12 years ago. Now the Congress votes over a thousand million dollars for activities along that line. So in years to come our successors in these seats will take for granted what we now struggle to secure and some people ridicule. We must eventually accept shorter hours of labor in industry. We must yield to Government ownership of natural monopolies and total intolerance of private monopoly.

Yes, we must progress.

No one knows how many people might be retired from wage earning by such an annuity as is now proposed. It assuredly would not retire the most competent, who receive wages beyond the amount which could be realized under this or any similar act. Machinery, which has been of so much benefit to humankind, has nevertheless destroyed millions of jobs. Our marvelous increase of national wealth has been accompanied by increase of slums, by general financial insecurity, and total inability, so far, to readjust our economic life to the new conditions under which we must live. If an assured, though small, income can tempt into retirement four or five millions now gainfully employed, there will be room in the work world for nearly half the employables now at the door, begging for work. No one knows just what would happen under this proposed bill, but no one can deny that many of our plans for 10 years have proven failures, and that we seem to be casting about for another solution without much well-developed planning and with diminishing confidence. Why not establish an old-age annuity plan and take such economic byproducts as it may afford?

When the tragic days of 1929 shocked us into realization of our economic situation, we had developed in America what we called the American standard of living. It was higher, more expensive, more enjoyable than any previously developed anywhere at any time in human history. The American standard of living meant education for Kate and John beyond the ordinary school. It meant better clothes than anywhere else worn; it meant the telephone, automobile, better food. It meant running water, the bathtub; the care of doctors for health, eyes, and teeth. It meant making the world a lovely, intensely interesting place in which to live. The subsistence standard of living to which millions have been relegated means no higher education for the children. It means the denial of the accustomed pleasures and of those inventions which have become necessities—the automobile, the radio, the telephone, and the electric light. It means ill-health, stunted bodies, undeveloped minds, bitter hearts. It is estimated that two-thirds of our people have today income sufficient only for this subsistence standard of living.

We devised the W. P. A. as an emergency measure. I know how bitterly any criticism of this agency is resented by some of its beneficiaries of both high and low degree. We do not know all about its administration, as it is what one of our Oregon editors calls "an untouchable secret society." We had to have some such thing, but such a travesty on the worker's life must not be made permanent. It is certainly better to have work relief than to extend poor relief and to accept in a democracy a class of recipients of public charity who may become powerful in determining who shall be the leaders of government. I fear the permanent extension of both these temporary expedients. I desire to help to form a plan for an organized society without poverty and its attendant crime and misery. Believing a plan for old-age annuities will bring us any nearer that goal, I am willing to try it.

My neighbors and friends who have for 5 or more years struggled to spread knowledge of this pension idea and to secure its enactment into law are just as much interested in our country as are those who ignore the necessity for something new and different. They know something of the labor situation, which is certainly appalling.

We have now approximately 33,000,000 gainfully employed workers. In our most prosperous year, 1929, there were gainfully employed 36,100,000 workers. Ten years later, this year, 1939, we have at least 10,000,000 unemployed workers. In 1937, the most prosperous year of this administration, there were employed 35,000,000, only 1,100,000 less than were employed in 1929. Still in 1937 over 7,000,000 men and women were unwillingly out of work. Available jobs have increased since 1929, but seekers of jobs have increased at a much greater rate.

In 1929 we had a labor force of 37,700,000, with 36,100,000 employed, leaving 1,600,000 out of work. In this year, 1939, our labor forces increase to 43,000,000, but there are jobs for only 33,000,000 workers. At the bottom of the depression, in March 1933, we had a labor force of 40,000,000, but only 27,700,000 jobs. That was the peak of the unemployment, 12,300,000 idle. Had our business activity increased in the same ratio as the demand for jobs, there would have been 5,000,000 more jobs in 1939 than 10 years earlier, but instead of increase of jobs they shrank by 3,000,000 and more. Next year it will be worse, for another half a million boys and girls will arrive at an age where they demand their places in the working world. Does this augur security?

The figures on unemployment, which I have quoted from a recent issue of the United States News, are to me astonishingly convincing proof that we must work toward reorganization of our economic life so that all may find jobs. We cannot expect better conditions to develop out of the present situation without definite effort, through legislation, to direct forces toward breaking down barriers which block the way to opportunity. Every capable young person has a right to expect a chance to earn money and establish a comfortable place in society. It is very evident that there must be some new line of attack

on the battle front of unemployment. We need genuine planning—how the word has been abused!—including not only old-age pensions, shorter hours of labor, public works, C. C. C. camps, but also farm security, which will attract people to agriculture as an occupation, and a revival of world trade, which will provide consumers for what is produced. Those who help to formulate legislation for permanent prosperity will always keep in mind the fact that private industry is dependent upon consumption by well-paid wage earners.

The causes of our economic disaster have been analyzed many times, and I set forth my own ideas recently before the Ways and Means Committee in the hearings on this bill. I shall not here repeat that statement. I am arguing only for tolerance toward and consideration of a remedy which sees to millions of good Americans, yes, grass-root Americans, feasible and just. Our Oregon Legislature memorialized Congress for action on the general-welfare plan. A majority of 34,070 out of a total vote of 333,492 called for that memorial. I, therefore, support their plea that this House give serious consideration to the proposal for an old-age annuity.

We have voted millions and yielded judgment time and again for palliatives. We have followed economists and social workers of many conflicting schools of thought, each group being publicized for the time being as so flawless that wisdom would die with them. Now we might do well to listen to the common man.

Mr. Chairman, the following is a statement I made before the Committee on Ways and Means on the subject of old-age pensions:

STATEMENT OF HON. WALTER M. PIERCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. PIERCE. Mr. Chairman and gentlemen of the committee, I have written what I want to say. I know how hard it is to read a document and make people understand, but I don't want to be misquoted, and I would like to read the document through, and if there are questions may they be reserved until I have finished reading?

Mr. CULLEN. We are going to grant you that privilege. You want to proceed with your statement without interruption, and then after your statement is completed the members of the committee may ask you questions. Is that satisfactory to you?

Mr. PIERCE. Yes, Mr. Chairman.

Mr. CULLEN. How much time do you want?

Mr. PIERCE. Twenty minutes, perhaps.

Mr. CULLEN. Proceed.

Mr. PIERCE. Mr. Chairman and gentlemen of the committee, on November 8, 1938, the people of Oregon passed under the initiative an act calling for a national convention to propose a constitutional provision for the Townsend national-recovery plan. There were 183,781 votes for that act; contrary, 149,711. The majority for the act was 34,070.

Pursuant to that act the Oregon Legislature, by unanimous vote, passed a memorial which I presented to the United States House of Representatives on January 30, and copy of which is attached to these remarks. In order that members of this committee may be accurately informed in regard to the desires of the people of Oregon as expressed by popular vote, I quote herewith the initiative act which was passed, and upon which the memorial was based:

"The Legislature of the State of Oregon is hereby authorized and directed to make application to the Congress of the United States not later than March 1, 1939, for the calling by the Congress, pursuant to the provisions of article V of the Constitution of the United States, of a national convention for proposing an amendment to the said Constitution to provide for the establishment and operation of the philosophy and principles of the Townsend national recovery plan, otherwise known and described as the proposed General Welfare Act of 1937."

The Oregon State Planning Board has recently issued a report called "Oregon Looks Ahead." From press notices issued by the planning board, I quote an extract germane to this discussion:

"The real reason why Oregon is one of the strongholds of the Townsend old-age pension movement may be found in an Oregon State Planning Board report Oregon Looks Ahead, it is pointed out by compilers of the volume. This State has more people over 54 years of age in proportion to its population than any other State in the Union except Maine, New Hampshire, and Vermont. No inferences regarding the Townsend or any other movement are drawn in the report, but it would only be natural for any project of interest to older people to arouse attention here, those who have read the volume point out."

Indicative of the attitude of both old and young in Oregon is the petition addressed to Congress by Townsend Club No. 1, of Baker, Oreg., which I desire to bring to the attention of this committee by incorporating it in my statement. The facts set forth in this petition are incontrovertible:

1. That great sums have been spent to overcome the depression.
2. That the depression continues in spite of the spending programs.
3. That there are ten or twelve millions still unemployed in our country, with people suffering for the necessities of life.
4. That if the spending were discontinued the situation would be worse.
5. That due to labor-saving machines, many now unemployed will never again find regular work in industry.

The petition then states that there are 25,000,000 people in the United States who are hopefully looking toward the enactment of the Townsend plan.

This is the position of the people who voted at the general election in Oregon for the legislative memorial. My neighbors and friends of over half a century in Oregon are among the voters and petitioners. They say, in effect, "It is now 10 years since the crash; Congress has made no headway toward economic stability; it has offered no remedy, formulated no policy; its vast expenditures have effected no permanent change and established no satisfactory precedents. We offer a plan in which we have confidence. We ask Congress to hear our arguments and give consideration to our plan, which has millions of adherents." This is in accordance with democratic traditions and procedure.

It is a satisfaction to me to know that the Ways and Means Committee of this House is holding extended hearings and will conscientiously undertake to face the problem of legislation for old-age security with full knowledge of the proposed plans, their basic principles, and the details which may be changed or formulated in the light of this discussion. I wish to make clear to you the very earnest and definite desire of an impressive majority of Oregon citizens and to add comments on the situation and some of the causes of the changed attitude toward Government and the plainly apparent distrust of Congress and State legislatures so far as social legislation is concerned.

THE SOCIAL SECURITY ACT

I was much gratified to have this administration undertake the preparation of a social-security measure. This Nation has been laggard in social-security legislation, possibly because we were utterly unable to realize that our country would soon face the unemployment, poverty, and confusion which long ago drove some European countries to old-age pensions.

Our Social Security Act was too hastily drawn, though thoroughly idealistic. It reflected the Nation's inexperience and unpreparedness, but it for the first time put this Government into proper protective relation toward its people. The stupendous task of getting it into operation appears to me to have been done in a creditable manner. I rejoice in the provisions for aid to the handicapped and for child welfare. I believe in unemployment insurance, but I have come to the conclusion that part of the fabric needs to be rewoven. The Social Security Act, so far as it relates to unemployment, should be amended with the advice of those who have struggled to comply with its provisions and remain solvent in business in order to meet the pay-roll taxes for unemployment insurance. I know that this committee will study very carefully the proposed amendments to the Social Security Act.

No Member of Congress who supported the present act has any right to call the Townsend plan "fantastic" in the light of the actual financial results of the collection of unemployment-insurance funds. Certainly it is utterly "fantastic" for a government, on one hand, to collect from its citizens a reserve of $47,000,000,000 while, on the other, it throws into the effort to bring back prosperity billions of dollars of accumulated debt. Any person who faces that ultimate $47,000,000,000 reserve accumulation and the method in which it is being handled should be exceedingly humble and certainly reluctant to accuse any other group of offering "fantastic" propositions.

A guiding point which I believe should always be held in mind is that the money collected for social security in any of its activities should be returned as quickly as possible to the people and not accumulated in the National Treasury. It should be a speedy collection and distribution process, with the least possible expense for collection and with the quickest and widest possible distribution.

I believe this committee should face the facts as they are, and should determine on a pay-as-you-go policy. It is neither fair nor right to borrow money on the credit of future generations for current, present-day needs which are not emergency but which will always be part of our social system. Such needs should be met from present-day income. We should feed and clothe the underprivileged and care for the aged with funds collected from those who are enjoying the bounty of the present day and system. Our Government has collected under title 8 of the Social Security Act and paid into the general fund $995,207,036, and Congress has already appropriated for the reserve account of the old-age pension fund approximately $1,125,000,000. Our industries have paid into the Federal funds under the unemployment-insurance levy $1,499,000,000 in round numbers. This last amount has earned $30,000,000 in interest charged our Government. This does not appear to me to justify the methods used. Collect what we must collect and pay it out promptly to those for whom it is collected.

The old-age pension provisions of the Social Security Act seem to have been proven quite definitely inadequate. If they had been otherwise, the Townsend movement and other movements looking toward real security for the aged would not have gained such momentum. It seems to me to be the reaction against an inadequate Government plan which has caused people to turn elsewhere for the leadership in the matter of caring for the aged.

I do affirm, however, that the very fact of establishment of a cooperative State and National system of monthly payments to the needy and of a contributory pension plan had been beneficial in these trying times.

CAUSES BACK OF THE DEMAND

I shall now briefly mention some of the factors contributing to the bitterness, restlessness, and discontent plainly apparent among our people, and probably creating the state of mind which was expressed in the vote of the Oregon initiative measure, and is shown in the demand made upon Congress to enact into law the proposals which are coming from the people. Only if you think you can remove these causes can you conscientiously disregard the demand for a decent old-age pension.

Do you ask why this sudden necessity for pensions for the aged, why they do not save for old age, why they do not depend upon their children? These questions are easily answered. The margin in today's earnings is too narrow to allow savings for old age. The children are carrying all the burden possible if they provide for themselves and their children. The story is told when we recall that two-thirds of our people actually live below the deadline of comfortable existence.

Formerly the little savings for old age could be lent for 6 or 8 percent interest, providing an income. We all know this is no longer possible. Much of the old-age poverty during the past decade resulted from so-called investments in worthless stocks and bonds. This hazard has, to some extent, been eliminated by the enactment of the S. E. C. law. People in a little rural county in Oregon lost a half million of savings through manipulations of one utility holding company. It is said that through one conspicuous figure now operating in the utility world "investors" lost two hundred and fifty to three hundred million dollars—more than the entire cost of the T. V. A. program to date and five times the cost of Bonneville to date. (Still these pirates choose when and whether they shall obey the S. E. C. law.) The old farm couple formerly moved to town and lived from farm rentals. Now farm prices are too low and taxes too high to provide a margin for comfortable living. The props have been knocked from under them. There is just one solution. A pension for old age. The Congress must provide the means and the method.

The Federal Government's policy with relation to middle-age and aged workers has been destructive. This administration is largely responsible for a rapidly growing emphasis on youth. Even agencies supported by emergency funds are refusing to employ people over 60, apparently contrary to law, but they pride themselves on the fact that they are adopting civil-service methods. A robust man 60 or 65 years of age cannot be employed as a caretaker in a C. C. C. camp. The little rural post office which would seem an ideal place for an elderly person cannot be given to the charge of anyone over 66 years of age. The Farm Credit Administration sends out farm appraisers "not over 35." The Farm Security Administration confronts hard-pressed farmers with beardless youth—boys who have never struggled to support anyone or maintained a business, a farm, or a home.

Thus, to inexperienced youth are entrusted decisions which should be made by experienced, capable men and women. The W. P. A. has thrown off workers over 65, forcing them to take relief or pensions when they could do better jobs than younger men. This tendency has been carried to cruel extremes.

I can understand that the Civil Service must have some age limits because of the necessity of accumulating pension funds, but why our Government must be run by college boys I have not been able to understand. One of these young men who was a "master" and on the way to being a "doctor" rejected a public-works application for a project in my town. He told me that he had learned through a series of graphs that the section was on the road to oblivion and a town of 10,000 would be abandoned. A study of his table showed that taxes had not been paid for 5 years as promptly or as fully as they had previously been paid, therefore, the community was disintegrating, people were leaving it permanently. The truth of the matter was that a change in penalties in the State tax law had taught the farmers it was cheaper to have the county carry the taxes than borrow to pay them. Anyone who had ever had responsibility for taxes would have understood this.

We have taught all classes of our population to come to the Government for subsidies and hand-outs. Everybody is doing it. Every group numerous enough to form a lobby has been successful in dipping into the Treasury. This does not apply solely to the farmers and the unemployed. The railroads are now bawling for subsidies; the Maritime Board has handed out millions of public funds to owners or operators of ships; banks and insurance companies have been bolstered from R. F. C. funds—a hundred million here by airplane, ninety million bestowed there never to be completely repaid. The R. F. C. was really organized to unload on the public the obligations of railroads, insurance companies, and banks—to take care of the "big boys." The home-loan associations have been bailed out at public expense. "Lame ducks" and political hacks have been provided with luxurious living also at public expense. Pullman cars and airplanes are filled with people rushing to Washington for hand-outs. I don't think the aged are the only ones who are looking to the Government. They are only the tail end of the procession.

If this agency had been wholly satisfactory and had applied to those actually in need every cent of its funds not necessary for the most economical administration, it is probable that thousands of people would never have admitted the necessity of a Government guaranty of old-age security. The recent threats to curtail jobs following a cut in requested appropriation have made most of us bitterly resentful of the attitude of officialdom. Does it startle you or frighten you to look upon the W. P. A. picture—October 1937, 1,432,910 workers; October of 1938, 3,125,990?

If we had evolved a permanent public-works policy to take up the slack and to provide for those thrown out of industry, we might not have faced this situation. You and I know that this is not a depression or a recession or just "hard times." We are in a new world, facing a new economic era. We have not now time to dwell upon the causes, but we understand the results. If we had done more than to offer temporary expedients, we might well ask Townsend plan advocates to be patient until the economic situation was righted. W. P. A. and P. W. A. have not yet solved the problem of unemployment, but they are permanently with us.

A few weeks ago—September 6, 1938—the United States News devoted a full page to one of its striking charts showing that there are now 8,000,000 families in the United States facing starvation and 11,000,000 families fighting poverty, making a total of 19,000,000 families below the line of comfortable existence. Allowing 4½ for each family makes a total of 84½ million people, according to the pictogram of the United States News, that are demanding relief either from the starving line or the needy line, practically two-thirds of the population of the United States, and at least two-thirds of the voters. If organized, and voting as a unit, they can get what they want. They can even ruin and wreck the financial structure. Any plan which will end this is worth serious consideration.

The clamor to be on the Government pay roll and to be blanketed under the civil service without any real evidence of qualification is an indication of a trend which is dangerous. "Blanketed" is the right word, for here many may sleep forever on the job. There is in our civil-service system practically no requirement for increasing competency in order to be retained or advanced. It is not the merit system which it should be.

Many new Government emergency agencies have been administering in a ruthless manner. New faces appear every few weeks because others have been shifted to better Government jobs. These people are practically public pensioners. With the clamor for Government jobs we may face a time when there will not be enough producers and wage earners to support our privileged classes—public employees, delinquents, defectives, young children, the handicapped, youth paid to attend colleges, and, finally and most reasonably, the aged. Our bureaucracy has forced farm foreclosures and evictions. Our bureaucracy is in part responsible for our difficulties.

Now, if we could eliminate these factors, we might brush aside the plea of the aged for security. Since we cannot remove the causes of poverty and unemployment and assure plenty for old age, something must be done, not only for protection of the aged but for the protection of the rest of society. It is probable that never in our history have so many people participated in a movement for any particular legislation. If fallacies are apparent to you, point them out for the benefit of the millions interested. This movement cannot be ignored and should not be ridiculed. You must, by this time, have a pretty clear idea of how the proposed plan would function. That is, apparently, more than the framers of the Social Security Act accomplished before requesting Congress to enact their bill into law. Experience has taught us that all legislation is the result of compromise, so I hope that out of all the panaceas offered this committee will be enabled to make wise recommendations for the amendment of the social-security law and for adequate old-age pensions.

Along with the other causes which I have mentioned, the Townsend-plan movement has made the Nation old-age-pension conscious. I do not expect it to die away. We cannot hedge. We must face the issue. There must be satisfactory legislation. The "emergency" has become the "new era." We must have some clear-cut plan. It is your duty as a committee to find how we can economize without hurting the underprivileged, how we can pay our way, what we can throw overboard, and what new cargo we must take aboard. We can forget the highly privileged, if they will allow us to do so. Let us legislate for the underprivileged. This is a democracy. We must listen to the plea of the people and give their statements fair consideration. The millions look upon this plan as a satisfactory one for the dual purpose of economic recovery and security for the aged. I believe all their Representatives in Congress should have the bill before them reported out from your committee for general discussion.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. HUNTER].

Mr. HUNTER. Mr. Chairman, I believe that my position on the Townsend bill, now before this House, is different from that of many of my colleagues, some of whom may regard the vote today as a means of keeping campaign pledges.

When I first came to this House as a Member, 2½ years ago, it was as one who had not received the endorsement and help of Dr. Townsend and his organization. In my district, the Townsend-endorsed candidate in 1936 was a Republican. It is not going beyond the facts to state that the support given my opponent by Dr. Townsend and his organization was the most powerful independent opposition I had to overcome.

Under these circumstances, no one could have said during my first term that I was a Townsend candidate or that I owed the slightest obligation to the Townsend organization.

However, I did come to Washington firmly convinced that it was one of my primary obligations to fight for a Federal old-age pension. My mind was open as to the type of bill that should be passed. I knew only that in Ohio we had experimented with State old-age pension legislation, and I knew from bitter experience that it was woefully inadequate.

I knew that particularly in our industrial centers it is absolutely impossible for most of those past middle age to hope for employment. I knew, from our own experience in bank failures and depression, that no one can assume that old-age may be made secure through savings. I soon learned also that our present social security law fails to protect practically as many as it protects and for this reason does not answer the problem.

My study of old-age pension legislation before Congress convinced me that the Townsend bill, of all the legislation presented and having any chance of passage, most nearly met the universal need. For this reason I became an advocate of this bill, and for this reason I gratefully accepted in the last election campaign support of organizations in my district who want this bill.

Since this is my position, I feel that I have the right to call upon those who accepted support of the Townsend organizations to make good upon their campaign pledges and vote for this bill.

There are a number of Members who accepted help from these organizations who so far have not taken a definite stand. I want to warn that there can be no fence straddling now. This is not a partisan issue and will not be decided by Democratic or Republican votes.

The issue is whether we, as Members, consider present State old-age pension legislation adequate. It is whether we consider that the Social Security Act covers everyone sufficiently to assure independence in old age. It is whether we accept responsibility for the thousands of men and women past 60 years of age who today have no way to pay rent, buy food, or enjoy the simplest comforts so needed in old age.

I am not worried about the added tax. A tax is intolerable only when it stifles business and demands beyond ability to pay.

By a distribution of money raised through this tax and by assuring that it will be spent to produce business, there is every right to believe that it will cause increases in employment and business that will more than offset the slight additional payments.

The opportunity given to those past 60 to retire from industry will make room for added thousands of young people who today can find no jobs.

We need not deceive ourselves by thinking that we are not already paying this tax. Money is found, and through taxes, hidden and otherwise, to support thousands upon thousands of persons on W. P. A., direct relief, and otherwise. The sad part of the situation as it is today is that many of those we are so supporting are young, active, able, and more than anxious to take their rightful place in the business or industrial world.

By opening up new opportunities, by taking from active employment those past 60 years of age, and by assuring a steady flow of business, this legislation will make it possible for these thousands of younger people to find employment. This legislation aims at a newer and saner classification of those who should work and those who have earned retirement. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to use to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Chairman, the American people are confronted with a challenge—the like of which they have not had to meet since the period of the War between the States.

It is required in this hour that the representatives of the people have courage, vision, and judgment.

America's problem can be solved and it can be solved without resort to dictatorship and without suspension of any of the constitutional liberties upon the basis of which our Nation has grown great. But it will take sacrifice and the most sincere patriotism to accomplish this.

The leading economists are in agreement that the central problem of our day is to bring the flow of buying power into balance with the flow of goods and services. They are also in agreement that idle hoarding of bank deposits and other forms of money is one major cause of the failure of buying power to keep up with production.

All of us know that to keep our Nation at peace it is of the greatest importance for our home market to absorb the great bulk of our production so that we can be as free as possible of the necessity of entering the world struggle for markets, which is one of the major causes of war.

All of us know, too, that the two main outlets for increasing production upon which we used to rely, namely, westward expansion and rapid population growth are things of the past.

If our people are to have work and our farms and industries are to be prosperous, there is only one way in which the necessary demand for their goods and crops can be assured, and that is by doing away with poverty in America and raising the standard of living of our people.

We have thousands of producers who are eager and willing to produce an abundance of goods if only they could find markets to sell them in; and we have millions of needy people who want those goods but have not the money to buy them. So I say again our problem can be solved, and the job of Congress is to provide such improved distribution of buying power and such increased amounts of buying power as to bring our producers and consumers together in the market to the benefit of both.

In large part this problem must be solved by reform of our outworn and unconstitutional method of creating money, so that instead of leaving this vital economic function to the uncertain mercy of 15,000 separate banking institutions we shall bring money into circulation by governmental action in accordance with the demands of our economy and under the absolutely safe control of the principle of maintaining a dollar of stable buying power.

But in addition to that we must take measures to reduce hoarding, to provide a better distribution of buying power, and to reduce the number of job seekers while at the same time not reducing the number of people able to consume their share of our national wealth produced.

If we had a general Federal pension system paid as a matter of right to American citizens 60 years of age and beyond we would not only be providing a national insurance against the insecurity of age but we would also be reducing the necessity of attempted hoarding of income; and we would be creating the one class of people who more than any other deserves to be consumers without at the moment engaging in production.

It is impossible to work out a plan for the solution of America's economic problem—upon the solution of which the preservation of democracy, as we know it, may well depend—without including a general Federal pension system in that solution.

Never in all history has any great forward step been taken by mankind without great and prolonged opposition. Never have such reforms come in the first instance in perfect form or in the form that all could agree upon.

Today we are called upon to vote on a question as simple as this: Is the bill before us to be passed because it represents an earnest effort to establish the great, necessary, and unassailable principle of a national retirement pension system or is it to be defeated because the details of this particular measure are not 100 percent satisfactory to this or that Member?

I have thought long and hard over this question. I decided long ago that I would vote for this or any general pension measure if I could be convinced that its provisions were neither vicious nor dangerous. I decided to do this because of my belief in the fundamental necessity of the principle contained in such legislation.

On this basis I shall vote "aye" on H. R. 6466 which is before us.

There are things about the bill which I do not altogether like, such as the exemption of national banks from the taxes. But the main ones are some of the tax features, and at best the tax features of a bill as far-reaching as this one are not going to be lacking in the requirement of certain sacrifice. They could not be in the nature of the case, because the thing we are struggling to do is too big.

Evidently, however, this bill cannot affect either the Budget or the Nation's credit in any serious way. It cannot break the Treasury, as has been charged, for the total amount paid out is to be determined by the total amount taken in from the taxes levied by the bill.

I should like to explain that I am perfectly free to make up my own mind on this measure. I was opposed both times I ran for Congress by the Townsend organization. I am not bound by any pledges except the general pledge to do the best I could to get the best possible pension bill enacted into law.

In the past I made two main objections to the Townsend program. One was that I thought it was unfair to hold out hope of $200 a month pensions to people for I felt sure that such pensions could never be passed nor could they be possibly paid on the present level of national income. The other objection was to the transactions tax, which I feared would fall mostly on the poor people and on competitive as opposed to monopoly industries.

Neither of these objections applies to the bill before us. It is not a $200 measure; it does not have a transactions tax. And may I say here that, in my opinion, this bill is neither as good as its advocates claim it is nor anywhere near as bad as its opponents claim. Indeed, many of the objections raised against it are based on a misconception of what the bill provides and many of the arguments for it are arguments not for this bill but for a bill that might have been before us but is not.

The only sensible way to decide what to do is to analyze carefully the pros and cons of this particular measure—H. R. 6466. In broad outlines the bill is a very simple measure. It provides for gross income taxes of ½ percent on manufacturers, producers, and wholesalers, and 2 percent on other persons and other types of income. If an individual has income of less than $50 in any month he pays no tax in that month. The revenue from these taxes is to be used first for administrative expense and the balance is to be paid pro rata to all American citizens 60 years of age and beyond who apply for it and agree to retire from active work.

Clearly this is not a $200 a month pension measure. Neither was H. R. 4199 of the Seventy-fifth Congress, nor H. R. 2 of this Congress. One of the main differences between these bills and H. R. 11 has been that H. R. 11 frankly said it was not a $200 a month measure. In my humble judgment our people who will receive pensions if this measure passes will be fortunate if they receive $30 or $40 a month from it. But they will get that—or whatever they do receive—free and clear, as a matter of right and not as a matter of charity, which certainly is something gained. And the States are, of course, free to add to Federal payments if they choose.

And so Members who do vote for the measure should be careful not to claim they are voting their constituents a large pension; while those who vote against it should be equally careful not to hide behind the $200 a month bogeyman.

The tax in this bill, I am reliably informed, is the same tax that has worked successfully in the Hawaiian Islands for some years. While I should frankly have preferred other tax provisions, I am convinced that any objections to the taxes are definitely and rather decisively outweighed by the advantages to the Nation of the establishment of the principle of a Federal pension system.

I shall vote for this bill for a very simple reason. I frankly wish I were voting for the general-welfare bill, H. R. 5620, instead. But I shall vote for this bill because I believe it offers me the only chance I shall have at this session of Congress to register my vote for a cause and principle which must win out in America very soon.

That principle, of course, is the principle of using a general retirement pension system as a means not only of doing justice to the veterans of our national life but as one important means of bringing about the essential balance between America's power to produce and her power to buy and consume. I believe this type of measure is one of three or four essential parts of the solution of the problem of hoarded savings and idle buying power.

I cannot vote "no" on such a measure.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may need to the gentleman from California [Mr. TOLAN].

Mr. TOLAN. Mr. Chairman, I am in favor of this bill, H. R. 6466, formerly H. R. 2. Many economists and some of our country's brightest minds are in favor of the principles of this legislation while millions of our people are knocking at the doors of Congress for its enactment.

Supposedly the richest nation in the history of the world, we should be ashamed to admit that nearly all other nations lead us in old-age pensions. True we have the Social Security Act, but it is far from an equitable, uniform old-age pension law. By its provisions the Federal Government undertakes to match the States' grants up to $15 per month. There is only one State in the Union, California, that matches the $15 given by the Federal Government.

People in Arkansas eligible under these grants are receiving the insignificant sum of $8.99 per month; Georgia, $9.09; Mississippi, $4.79; New Mexico, $12.94; North Carolina $9.51; South Carolina, $10.66; and Vermont, $12.60. It cannot be that these elderly persons who paid taxes and helped make this country what it is today, but now in want, can possibly live respectably on such miserable, measly sums of money per month.

This legislation in general terms is what Dr. Townsend has worked and contended for during the past 10 years.

Oh, I know people have laughed at Dr. Townsend, but he has never let up with his great humane idea and today he has millions of followers and is stronger than ever before in this country. Well, they laughed at Lincoln, and some of Lincoln's Cabinet laughed at him, laughed at his old shawl and his great idea when he first suggested taking the chains of slavery from the backs of millions of people. One thing they can never take from Dr. Townsend and that is that his name will go down in American history honored and loved for making his country old-age pension conscious.

What is this plan? First, to effect and maintain complete recovery in the United States and sustain this prosperity by a sufficient supply of purchasing power; secondly, to create a condition of employment assurance by replacing those over 60 now employed with younger workers who are walking the streets, thousands of them high-school and college graduates; thirdly, to create a retirement fund for each individual who can and does qualify upon reaching the age of 60.

"Where are we going to get the money?" This cry has echoed and reechoed down the ages when any measures for the welfare of the many instead of the few have been proposed. This question was not asked in 1917 and 1918 when we spent in about 17 months nearly $40,000,000,000. Twenty billions of it for shot and shell, death and destruction. Thousands of American boys are sleeping their eternal sleep beneath the soil of Flanders Field. Nine billion dollars were spent to feed the hungry and starving of Europe. But it is a different story when it is even mentioned that we should take care of the poor and aged of our own country.

I ask you, where does the money come from to pay nearly $2,000,000,000 a year for direct help, crime, and welfare work in this Nation? Where does the money come from to pay millions and millions every year to paint the lips and cheeks of the women of this country. This remark may not help me with the ladies, but it goes anyway. Where does the money come from to pay our terrible bills for cheating and killing each other? Where do the billions come from for automobiles, airplanes, and injuries and

death that result from our speed mania? When we dare mention anything for father and mother and their old age we are laughed at.

Maybe I am old-fashioned, but I say to Congress that never since man was first created did a son or a daughter ever live to see the day that they regretted being good to father or mother. Never will any nation ever fall for taking adequate care of the aged and the helpless.

Dr. Townsend has, to my mind, one of the most humane and helpful ideas since Lincoln freed the slaves. It is not perfect; what measure of man is perfect? There is hope and love in the Townsend old-age pension plan.

But they tell us it is a crime for Dr. Townsend and his supporters to offer hope to the old folks of this country through an impracticable plan. Who knows today what will work and what will not work?

Is this plan practicable? I claim any plan is practicable which absorbs hundreds of thousands of indigent inmates of poor farms, poorhouses, and other charitable institutions, some supported by the city, county, State, and fraternal organizations. All of these people, at the age of 60, would come within the provisions of this bill removing a huge tax burden.

This plan would take the aged of this country, lonely and destitute, from the county poor farms and county hospitals and place them in their own homes. Do you not think they would be happier with their own cookstove, their own furniture, their own beds, and their own neighbors to talk to?

We can pass unanimously in the House and Senate a monetary plan that would prove useless and impracticable tomorrow. We think we know, but in these fast changing international times we know very little. Not one single individual ever died on account of hope, but rather from a lack of it. Hope is the white light burning in every human heart; the thought that we will be happier tomorrow than today. When that light goes out we are done, for life is such a difficult game and there are so many things over which we have no control—financial troubles, sickness, and death—but always high up in the blue skies, shines the silver star of human hope.

It seems to me that this legislation will lift the hearts and hopes of millions of our people. We need legislation that will be uniform throughout the United States and this bill does just this.

The most terrible words echoing and reechoing throughout the United States today are: "No; there is no work for you, you are too old, and we do not want any man over 40." This is a direct challenge to the Congress of the United States and it must be answered by us if this Nation is to survive.

I respectfully ask that you vote in favor of this bill, H. R. 6466.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Idaho [Mr. WHITE].

Mr. WHITE of Idaho. Mr. Chairman and members of the Committee, it seems there is little opportunity for the supporters of this legislation to be heard. The time on both sides is under the control of the opponents of the bill, and when they take the floor they refuse to yield for any questions that may bring out the facts. So far it seems to have been a one-sided debate. We have been treated this afternoon to a Huey Long show by the gentleman from Missouri [Mr. SHORT] with a difference that Huey Long was a humanitarian and had a heart for the common man and was in favor of a liberal old-age pension.

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

Mr. WHITE of Idaho. I have only 2 minutes and cannot yield.

Mr. DEROUEN. I think the gentleman ought to yield, inasmuch as he spoke about Huey Long.

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

Mr. WHITE of Idaho. The opponents of this constructive legislation, as always, when they cannot meet an argument, attempt to discredit the legislation by ridicule. In considering this legislation let us turn to the Constitution of the United States, embodying the principles on which this Government was founded.

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

Mr. WHITE of Idaho. The preamble states:

> We, the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquillity, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.

"Insure domestic tranquillity and promote the general welfare." Does the gentleman from Missouri [Mr. SHORT] ridicule that? Is he opposed to security for old age? Who is more entitled to enjoy general welfare and domestic tranquillity than the men and women who by a lifetime of toil and effort have secured and presented to the succeeding generations all that this country of ours lavishes on its fortunate people?

The opponents of this legislation demand a perfect bill. They are loud in their protestations that the measure may, in its initial form, fail to provide for every class entitled to consideration.

If they are sincere in favoring old-age pension legislation, they will join us in voting for the passage of this bill as an initial step in a great constructive plan to bring about a new order in this country that will provide security for old age, eliminate hoarding, put money in circulation, and give employment to young men and women.

Let us replace the defective social security law that lays an undue burden on creative industry by taxing pay rolls. By passing this measure we will more evenly and justly distribute the expense of raising the money to provide for a national old-age pension which will be paid in full and direct to the beneficiary by the Federal Government, just as our soldiers' pensions are paid, eliminating dollar matching with States and local taxing unit, and insure that every person entitled to a pension will be placed on the roll. Let me remind the Members of the House that old-age pension is a settled policy with our Government. We provide retirement pay for the officers of the Army and the Navy, we pension our war veterans, and the host of Government employees. Are we to be more tender and more considerate with these easy-time Federal employees than we are with the veterans of the farms and factories that have devoted a lifetime of toil and effort to provide the good things we enjoy?

Let us pass this bill that will be the beginning of a great plan to provide for the fathers and mothers of this country now and for us when we have reached the age of retirement. Let us remove the fear of uncertainty and insecurity from the hearts of those facing their declining years; a time that must come to all of us. Let us no longer condemn the great majority of the people of this country to an old age of distress and poverty; let us at this late day carry out the great principles laid down in our Constitution "to insure domestic tranquillity," "promote the general welfare" for all the citizens of our great country that have reached the age of retirement that they may spend their declining years in ease, comfort, and security.

[Here the gavel fell.]

Mr. ALLEN of Louisiana. Mr. Chairman, I ask unanimous consent to proceed for one-half minute.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. ALLEN of Louisiana. Mr. Chairman, I regret very much that the gentleman from Idaho [Mr. WHITE] has just referred very disparagingly to one of the best friends I ever had. I was reared with Huey Long. I spent a great part of my life with him until he died. I loved Huey Long and I honor his memory.

He has passed to his reward. I realize the remarks of men, irrespective of the forum where made, cannot dim the luster of his star nor lessen the love and respect of a grateful people in his beloved Louisiana. His voice is stilled, but his monument may be seen all over the State of Louisiana,

and the name of Huey Long is engraven upon the hearts of a great people. As his friend and companion from high-school days to his untimely death, I am proud to stand here in this House and let the world know the deep and abiding friendship and affection which existed between us, and I am indeed sorry that the gentleman from Idaho referred to this serious debate on a most important subject as "a Huey Long show." This reference, Mr. Chairman, is not fair to the proponents of this legislation and neither is it fair to the memory of Huey Long.

It was not a show when he arose in the United States Senate and solemnly proposed his great humanitarian plan embodying a pension for our old people of $30 per month to come out of the United States Treasury, which principles are embodied in my pending bill. It was not a show when he revitalized and reenergized the State of Louisiana and made of it one of the most progressive States in the Union, nor when he eased the burdens of the poor and brought hope to aspiring youth.

Mr. Chairman, as his boyhood friend, I cannot be expected to do otherwise, sir, than to resent any man on this floor making any statement against my boyhood friend.

I ask unanimous consent to revise and extend my remarks and to have them follow the remarks of the gentleman from Idaho [Mr. WHITE] this afternoon. [Applause.]

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, in discussing this proposition we must keep in mind that section 19 of the proposed bill repeals titles I, II, and VIII of the Social Security Act and destroys all of the set-up that we have organized under that act. Whether we like that act or not, whether we think it is perfect or not, it is doing plenty of good for the aged, and everyone knows that this bill is not going to pass this afternoon. We are following the widespread belief and demand that this is a measure that needs consideration by a record vote here, but the bill is not going to pass, and we all know it.

Our committees have been criticized for bringing this bill to the House in this form. This was the only way it could be done. If the Ways and Means Committee had made an unfavorable report it could not have been brought to the floor of the House. It is here and we think we have done our duty in so bringing it in. Such criticism is a smoke screen. If you want a record vote then this is the only system to that end. "Gag rule"? Yes. Dr. Townsend and other proponents of this bill not only ask for but demand a "gag rule," so as to shut off all amendments. They say they got a fair hearing before the Ways and Means Committee. They asked to have the bill brought to the floor. It is here. They asked for a "gag rule" and they got it.

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

Mr. DISNEY. No; I am sorry, I have only a few minutes.

Now, in order to keep the record straight, let us see what the goal is. The goal is $200 a month and as much more as rapidly as possible. This is the language of Dr. Townsend on page 647 of the record of the hearings, where he states:

> I don't know whether that has been quoted as something indicating that I was deliberately trying to deceive the old folks or not. I am after that $200 a month and I am going to have it. I am going to stay after it until I overtake it.

This was shortly after he had admitted that this legislation has no chance to pass this House, and after he had announced that he was going to seek consolation in a constitutional amendment which he has since had introduced.

I quote from a popular newspaper in my district from an article entitled "Kidding the Old Folks." It reads in part as follows:

> Pensions are popular; everybody wants them. Taxes are unpopular; nobody wants them. Of course there is not enough money for excessive pensions, and there never will be.

We are catering, if I may use the word in that way, to the wants of the people and not to the needs of the people. The appropriations for the expenses of this Government for 1916, since which time there has been no comparable increase in population, were $1,034,784,655, and this, the Seventy-sixth Congress, will pass appropriations running somewhere between nine and eleven billions of dollars. Have the needs of the Nation increased to that extent, or are we ministering to the wants instead of the needs of the people?

Secretary of the Treasury Morgenthau, appearing before the Ways and Means Committee on May 27, 1939, suggested that the tax-raising and money-spending committees of the Senate and House should meet as a joint committee on fiscal policy to consider the over-all aspects of the expenditure and revenue program. I have not heard a healthier suggestion since I have been a Member of Congress.

Before the Civil War the Ways and Means Committee acted both as a tax-raising and money-spending committee. Such a plan would be constructive at this hour. The Secretary stated:

> By providing for a preliminary legislative consideration of the over-all picture of appropriation and revenue measures it would give Congress a broad perspective of the state of the Government's finances and permit a better ordered coordination between the executive and the legislative branches in this field. This joint committee would in effect be a lens through which all appropriation and revenue measures could be viewed in relationship both to what the Nation needs and to what the Nation can afford.

When the head of our fiscal department thinks along these lines he is on solid ground. Surely some day—let us hope in the near future—some authority should begin considering the comparison of the Nation's needs with what the Nation can afford, with nine consecutive annual deficits running into the picture. We may wonder whether we are meeting what the Nation needs and what the Nation can afford. Are we supplying the needs or the wants of the people? Are these appropriations in great measure going to the wants of the people rather than to their needs? If they are, can the Nation afford them, particularly when we consider that with no great increase in our population since then our Federal Budget in 1916 was $1,034,784,655, and this year's appropriation will probably run into the staggering figure of between nine and eleven billions of dollars. If the population is substantially the same and the Nation needed only $1,034,784,655 in 1916, and in 1939 the sum runs to $10,000,000,000, how can we account for this except upon the theory that we are supplying wants instead of needs?

Issues of Federal securities are now being oversubscribed 10 to 15 times. In the Hoover administration some Government bonds were selling in the eighties. With continuing enormous Federal deficits, how long can we expect the present psychology to continue? How long will our credit last? If we had a psychologic doldrum in the Hoover administration, is it not possible to recur to it in other administrations, especially when we have 10,000,000 people unemployed and when capital is not investing itself in labor-employing activities?

As a Representative of the State of Oklahoma I should be remiss in my duty to the people of that great State if I did not advise in the CONGRESSIONAL RECORD, and thus officially, some of the fiscal aspects which would be involved in the passing of the so-called Townsend plan.

It should be remembered that Dr. Townsend himself testified that his goal was $200 per month for each pensioner—nothing less; and that his plan was for a revision every 5 years—upward.

The records of the Bureau of Internal Revenue show that that Department collected from the citizens of Oklahoma in internal-revenue taxes $62,661,773.46. This is in addition to State and local taxes, estimated at $91,358,891 paid by the citizens of the State.

It is estimated that there are substantially 8,000,000 people over 60 years of age in the United States. On the basis of $200 per month. That would mean an annual cost of $19,200,000,000, or per capita cost of $147.69. If there are as many as 10,000,000 pensioners, the annual cost would be

$24,000,000,000, or a per capita cost of $184.62—so much per head for every citizen in the United States.

How would this affect Oklahoma? It would require, in addition to the taxes I have mentioned—Federal, local, and State, amounting to $154,020,664.46—that $373,360,320 would be Oklahoma's share of the cost of the Nation's Townsend old-age pension expenses if there are 8,000,000 pensioners; and if there should be 10,000,000 pensioners, the cost would be $466,719,360 for Oklahoma's share. These estimates are made upon the figures produced at the hearing before the Ways and Means Committee, and are considered to be reliable estimates.

Can Oklahoma—or, for that matter, can any other State—afford this staggering load?

It has been argued that this bill will not raise $200 per month and that we need not be terrified at the figures I have suggested. I answer that the goal—the announced goal by the father of the movement—is $200 per month or more, according to his own testimony before the Ways and Means Committee, on a strictly Federal pension, eliminating a State-Federal matching process as under the present law. Passage of this bill, regardless of what it raises, would be the entering wedge for a Federal pension law with a goal of $200 a month or more, at which juncture the figures I have presented would apply.

An interesting observation came to me in a letter from a member of the Townsend organization in my district, in which he states:

> I do not know what H. R. 6378 is (here may I interpolate that H. R. 6378 is Dr. Townsend's substitute for H. R. 2—not quoting my correspondent in this parenthesis), but I have always held that if the House would adopt the $200-a-month plan, it should be kicked into the dust heap of oblivion as the biggest bunch of fools this country ever saw. I do not know what H. R. 2 or H. R. 6378 is, but I earnestly believe that if the House fails to enact a sensible plan to provide for the old people from now on its Members would have forfeited all claims to self-respect even, to say nothing of reelection.

Great organizations interested in the welfare of our country have declared to be against the Townsend plan, being fearful of its visionary and inflationary provision, and fearful that the cost of living would skyrocket and produce a complete disbalance in our economic and fiscal condition. Among them I might mention the American Federation of Labor and the American Farm Bureau, as well as many others.

Surely these organizations have thoroughly considered this plan, else they would not have committed themselves against it.

The record shows that no economist in the Nation has approved the plan; and, on the other hand, a group of the most widely known and respected economists in the United States have declared it unsound and impracticable. The father of the movement scoffed at the idea of presenting any economist to back his proposal. One economist whom he produced at a former hearing declared that the plan would be inflationary and that the cost of living would go skyward. This economist has been discarded by Dr. Townsend.

These remarks must not be taken to indicate that I am opposed to old-age pensions, such as we can afford. It may be suggested that we should spend less money for other purposes and more for old-age pensions. That argument may be correct. But we must not wreck the credit of our country.

As I read it, the provisions of this bill would react most fearfully against people of moderate incomes and in the low-income brackets, because the cost of living would be so inflated that incomes would be cut down by the additional cost of living. The small merchant would be ruined, according to Dr. Townsend himself in his testimony, and the salaried man would be compelled to spend so much more for his living that his salary would rapidly depreciate, as would other types of income.

If this would aid the laboring man, would not the American Federation of Labor be for it? The effect upon the farmers would be paralytic. Imagine a 2 percent transaction tax upon every plow, every harrow, every movement of every bushel of corn, wheat, oats, and upon every pound of cotton in every stage of processing. Visualize the tremendous increase of living costs to the farmer under such a system, when a 2 percent transaction tax is added to the cost of all articles produced and manufactured, when in some instances it would not be unreasonable to suppose that as many as 10 to 30 transactions would be involved, each with a 2 percent tax.

We had much better improve the Social Security Act than to launch forth on this inflationary measure. We must remember that this is a superimposed tax, added to all the taxes which now exist, of whatever kind or nature. It is added to the ad valorem taxes, added to the sales taxes, added to the gasoline taxes. In fact, nothing escapes, and the passage of this bill would usher in the most serious inflation that America has ever seen, with its attendant destructive effects upon everyone who has to buy any kind of produced or manufactured article.

Will this produce recovery? Will it produce more business? Did higher taxes ever in the history of the world encourage business? No. I refuse to commit this offense against the American citizen. I still have the welfare of the American taxpayer, the American housewife, the American purchaser of goods at heart. I have never cast a vote against them. I do not propose to do so now.

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Louisiana [Mr. DeROUEN].

Mr. DeROUEN. Mr. Chairman, it is my desire at this time to fully analyze and explain the various sections of H. R. 6466 that caused me to vote against its passage.

I will first direct myself to words defining the definitions. In this bill the word "transaction" is broadened to take in everything. As an example, let us take the common practice of our farmers of trading one of their commodities for the commodities of another. Now, if one farmer goes to another farmer and wants to trade six barrels of corn for six barrels of rice, he must first place a valuation on these products and pay a transaction tax. He must not only keep a record of this transaction, but his valuation is subject to review by an investigator, and this investigator could be one who has little or no idea of such transactions and from a wholly different part of the country. If a farm wife went to the store to trade produce for store commodities, she also must keep a set of books and evaluate every transaction and pay a tax upon each and every one. This is not just; do you gentlemen believe that we can rejuvenate our farmers and farm wives and make bookkeepers out of them; I do not.

Now, let us go to the definition of "gainful pursuit." Under this bill the purchasing power of every 9 out of 10 persons will be cut at least 25 percent, and, in other words, it will increase the cost of living of every person at least 25 percent to pay a 2-percent tax. Is it right to tell them that the tax will only be 2 percent and then, in the long run, have it amount to at least 25 percent? The tax proposed under this bill falls the heaviest upon the people least able to pay, persons of moderate means and small incomes. Statistics show that there are 18,000,000 families in this country with incomes less than $1,500 per year. Is it fair to tax these 18,000,000 families, not 2 percent but eventually 25 percent, to pay an income of at least $4,800 to 5,000,000 families?

Mr. Chairman, I have always advocated and voted for old-age pensions, but I cannot vote for an old-age pension that is not sound, not just, and not fair to all of our people. This country was founded upon the creed of justice to everyone.

The tax in this bill will have a bad effect upon the standards of living of small-income groups, which form 82 percent of our population. It will sharply lower the already low standard of living that exists as a result of the trying conditions that confront us and which the depression has brought about.

I have always advocated and fought for assistance to mothers in need, for children in need, for the needy blind, and for the physically handicapped. These deserving groups are also part of our humanitarian program. What about them? Under this tax they will be penalized. The purchasing power of the small amount they receive will be sharply reduced, and the amounts they receive are so small

that they cannot stand this diminution in its purchasing power.

Dr. Townsend admitted in testifying before the Committee on Ways and Means that the passage of H. R. 6466 will eliminate the middleman. He also said that the middleman was "incompetent" and was "an unnecessary appendage to our economic system." Do you know who he refers to when he says "middleman"? Well, I know. He means every little man in this country who has to buy things to sell, every little groceryman, every dry-goods seller; in fact every man who has to purchase the finished article to sell to the consumer.

Do you agree with Dr. Townsend that just because these "littlemen" not "middlemen" cannot qualify on account of lack of wealth that they should be destroyed? Well, I do not. Every man has a right to an honest living. What do you think these businessmen and their employees will say when they realize the significance of the vote of a Member of Congress of this body who represents their district? It must be remembered that we have 1,600,000 retail stores in this country employing over 4,000,000 employees and assuming the average family of 3, that means 12,000,000 people that would be eliminated from gainful employment. And that is only part of our small, moderate, and independent businesses of our country. It is estimated that such businesses employ from 10,000,000 to 12,000,000 people, and again assuming the average family of 3, that would mean from 30,000,000 to 36,000,000 people that would be put out of employment. The passage of this bill would give to goods sent in here by foreign countries an advantage over American products. Certainly any fabricated article imported into the United States would not pay the transaction taxes abroad. The same articles manufactured in America would pay the transactions taxes and that would mean that foreign products would have a tremendous advantage over American products. We are having enough trouble now trying to place our rice and cotton farmers in a profitable class and if they must pay these taxes against tax-free imported goods they cannot survive.

Do the veterans of this country who are receiving a pension for their service to their country, and those veterans who are receiving compensation for service-connected disabilities realize that their purchasing power will be cut 25 percent, or rather, in effect, that this would reduce their pensions or compensation 25 percent?

Now let us go the tax feature and its exemptions.

The big businesses are taxed at a rate of one-half of 1 percent; that is, the manufacturers, wholesalers, and jobbers, whereas the small businesses are taxed 2 percent. Is it fair to tax the small man, he who is least able to stand this tax, more than the big businessman, he who is more able to stand this tax?

Now as to exemptions. Why is it all right to tax State banks and exempt national banks? On one corner you have a State bank, on the other corner you have a national bank. They are both doing the same business in the same legal manner. Is it equitable to tax one and not the other?

Mr. Chairman, I will continue to advocate and work for an equitable old-age pension, but I want to work for one that will give to the needy old age of this country their just desserts without demolishing the entire economic structure of the rest of our country. We as legislators owe as much to one class of people as we do to the other and we cannot destroy one class for the benefit of another.

It is my fervent hope that before long we will and we can bring before this House an equitable bill, and I assure you if this is done my vote will be "yea" and not "nay," as it must be in this instance. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin [Mr. KEEFE].

Mr. KEEFE. Mr. Chairman, I have talked with hundreds and hundreds of Townsend people through my district, although I never was put on the spot and asked to declare myself whether I was for or against it, and I say to you that I have yet to meet the first Townsend person who asked or who expected or who wanted $200 per month, so you can wipe out that argument about $200 a month, because so far as I am concerned it falls on deaf ears this afternoon. It seems to me there are a lot of people here who, when asked the question, Do you favor old-age pensions? say "yes," but when asked the question as to where they are going to get the money to pay the pensions suddenly shut up like a clam.

Here is the first bill that has within it the means for raising the revenue to make the payments provided. We spend billions of dollars here on credit day after day, and yet we will not be able, it seems to me, to answer the question, Are you in favor of old-age pensions and where are you going to get the money to pay them? So far as I am concerned, this bill is not perfect. I would rather vote for some other type of bill. The Legislature of Wisconsin has memorialized the membership of this House to pass this Townsend bill. I have received thousands of letters asking me to vote for the Townsend bill and not one single letter opposing it. I shall vote for this bill for the simple reason that it is a step in the right direction, because I favor old-age pensions financed upon a pay-as-you-go plan, and I am opposed to a continuation of the asinine fraud being perpetuated upon the citizens of this Nation under the guise of social security.

If there is to be an old-age pension, why is not an old-age pension bill here? Why has not the Ways and Means Committee, which has so vigorously condemned this measure, written an old-age pension bill and brought it to this House? They all profess their interest in old-age pensions. They all say, "We are solicitous for the welfare of the aged. We want to see them taken care of." Why is there not a bill here to take care of them? There are many people who are kissing and loving the aged when their votes are required, but they are not presenting a bill to take care of them when it is necessary. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. ELLIOTT].

Mr. ELLIOTT. Mr. Chairman, members of the Committee, the principle of bill H. R. 6466 is right. Reemployment of men now out of work, increased buying power, and our aged people will receive direct and immediate benefits. It is the purpose of this bill to make unnecessary those expenditures characterized as unemployment relief. The people of this country have voiced their approval of this legislation, believing sincerely that its enactment will correct the uncertainty of recovery and reform to the end that a greater and permanent prosperity will be built. The aged people that this legislation will primarily benefit are not benefited by the pay-roll tax, Social Security Act. Much the greater majority of them are not wage earners. This Congress should approve an old-age security whereby each State would pay to its aged residents the same amount of money monthly. Those residents prefer to remain in their native State among friends and relatives and not be forced by conditions to migrate to another State where the old-age pension payments are of greater amount. The old-age pension payment in each State should be the same—this bill will do that. The principle is right and I shall support its enactment. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from Arizona [Mr. MURDOCK] such time as he desires.

Mr. MURDOCK of Arizona. Mr. Chairman, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. MURDOCK of Arizona. Mr. Chairman, in the course of debate today Members have explained, or attempted to justify their stand on this measure according to their pledges to Townsendites, or on the grounds of opposition of Townsend forces to their election, or on similar grounds. I do not care to do very much of explaining in that fashion. I do recall that most of the Townsend vote of Arizona was cast against me in the primary and in the general election of 1936, and that by far the larger part of the Townsend vote was cast against me in the primaries of last year. A considerable portion of their vote was cast against me in the general election last year. Had my Republican opponent last October resorted to the usual political trick of promising all things

to all men and come out 110 percent for the Townsend plan, I would have had few Townsend votes in the general election of 1938, and yet I have always been friendly to a liberal provision for our aged citizens.

I have never been willing to try to fool elderly citizens by holding out hope that they are going to get $200 per month, nor have I ever been willing to promise them that, if elected to Congress, I would vote for any such measure. I remember about the 1st of June 1936 when I announced for Congress, never having been a candidate before for public office, three elderly men, neighbors and acquaintances of mine in this small town came to me and said, "All you need to do is come out for the Townsend plan and your election is assured." I said to them, "You men have known me for 22 years, and you know that I have your best interests at heart, but you know that for me to get the Townsend support I must make promises which my conscience will not permit me to make. I do not want the job badly enough to pay that sort of a price. But I do want you to know that there is not a man in the State of Arizona who would go further or who wants to do more than I do for our elderly citizens. If I am elected to Congress, with or without the Townsend vote, I shall do everything within my power to get adequate, fair, and just legislation for all who have reached the proper age of retirement." Those three men went straightway and declared that I was against the Townsend plan.

When the rising vote was taken earlier today in this Chamber on the rule which would bring this bill out for consideration I voted for the rule and thus voted for the consideration of this Townsend measure. In so doing I have kept a promise made to certain Townsend members in Arizona that I would do what I could to bring their bill before the House for consideration and a vote. I am in a sort of dilemma with regard to this bill, for we now have it before us for a vote without a possibility of an amendment. I am not satisfied with this bill, and I think it ought to be amended. I am told that this is the fifth Townsend bill which has been introduced into this lawmaking body. During the last Congress hundreds of my Townsend constituents urged me to support H. R. 4199, and during this session I have been repeatedly urged to support H. R. 2. These two bills were practically identical. Now, I find that at the last minute a new Townsend bill, H. R. 6466, recommended by Dr. Townsend and by his fellow workers in Congress and out, has been substituted for H. R. 2. This present bill is quite different from the former Townsend bill, H. R. 2. I have no means of knowing whether my Townsend friends, who were so anxious that I support H. R. 2, will be equally anxious to have me support H. R. 6466. In spite of this dilemma I propose to cast my vote in favor of this new bill, H. R. 6466, although it is not what I should like to see finally enacted.

Why, then, am I voting for it? Because I believe it embodies some of the principles which I would like to see enacted into law. I believe that we ought to have a pay-as-you-go plan to finance old-age benefits. I believe that purchasing power in this country must be distributed for the best interests of business generally. I believe that a reasonable degree of monetary inflation is not only permissible but needed. I believe that old-age benefits, adequate in amount, are demanded as a matter of justice and not as a matter of charity.

While I am proud of the baby steps taken by this administration in social security, I do feel that our present social-security laws, especially with reference to the aged, are woefully inadequate, and that such a bill as H. R. 6466, if passed by this body, could be so amended before final enactment as to make its provisions more satisfactory than what we now have. You may not consider it wise for a Member of the House of Representatives to vote for a measure which is not entirely satisfactory to him, with the expectation that it will be improved in another body or in conference before being submitted to the President. However, I have voted for other measures with that very situation confronting me. One of the advantages of a two-house lawmaking body is the possibility and probability of improving a bill in another chamber after it has been passed by one chamber. Therefore, I think I shall take a chance on this bill, as I have done before.

The well-known story of Frankenstein has frequently been used as an illustration to picture conditions in our machine age. Some thinkers regard man today as a victim of the machine and speak of "the machine as master of the man." In this period of remarkable invention, labor-saving machines have been created intended as servants of humanity. The traditional burdens of labor have been shifted largely from humans and placed upon the sinews of steel embodied in the machines. All of this has enormously increased man's power to produce wealth, but the introduction of the machine age and the factory system is not an unmixed blessing. Along with it has come deepening poverty. It takes no stretch of the imagination, then, to regard man as in the power of his own inventions.

Certainly man is in the power of the machine under our capitalist system of society, unless we can, by some legislation as this, extend the benefits of machine production to minister to the wants of man. The proper solution of this problem is a life and death question to millions of our fellow citizens, and I believe that this measure before us, with all its faults, has in it the beginnings of sane, just, and remedial legislation.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. JOHNS].

Mr. JOHNS. Mr. Chairman, we have heard a great deal this afternoon about Mr. Townsend. If I understand correctly, Mr. Townsend is not a Member of this House. The responsibility for what takes place this afternoon rests with the Members of this House. I want to say to you that in the campaign last fall Mr. Townsend never said anything to me. I have never met Mr. Townsend, but I did say to the people in my district that I expected the next House to be Democratic. I expected there would be a number of bills that would be introduced for the aid of the old people. I said that I would study the Townsend plan; that I was sure the Democratic Congress who had a majority, and also a majority in the Ways and Means Committee, would give consideration to the Townsend bill; and if there was any merit in it, they would bring it out. Here it is this afternoon under a "gag" rule where it cannot be amended at all. I am surprised that anybody criticizes it when it cannot be amended.

There are old people waiting today for the money we are going to vote to them either under this plan or some other plan. There are many of them in churches this afternoon, some of them are at home on their knees praying that they will get this money. There are young girls and boys who are traveling the highways and byways today looking for jobs. They might be able to take the places of some of these old people. I am satisfied that if they will stay on their knees and pray long enough—and I am a great believer in prayer—this Congress will do something for them, or some future Congress. That is the way I feel about it. [Applause.]

There has been a great deal said about the provisions of this bill to the effect that it would ruin the country. I can see nothing unusual about a sales tax to be alarmed about. We have sales taxes in effect in many of the States and they have been used in many instances to balance the budget. I also feel that it is something that should come only as a last resort and in my humble opinion it is going to be the only way we are going to be able to balance the Budget in the country. Our debt is so great that it is going to be absolutely necessary for every human being to make a sacrifice in order to see that it is paid. I am in hopes that a sales tax may be avoided because I have never favored it, but there is one thing about the tax proposed in this bill and that is that it will pay the obligation as we go along and we will not have to borrow money to do it. It does not increase the national debt, but it will put into circulation, if adopted, a good many million dollars.

Another thing that interests me a great deal is that it is to be spent for American goods instead of foreign products. It has been said by some Democrats and Republicans that it will ruin the country if adopted. I am frank to say that

after reviewing what this country has gone through during the last 6 years, I am satisfied that if we are able to survive this bill under "gag" rule long enough to get out from under such a rule, then if some of the provisions of this bill are not workable we can then make them so at a later date.

I do not feel that Dr. Townsend should be criticized so severely because he has an idea that somebody else did not happen to think about. Nobody is under any obligation to accept it if they do not want to, and there is no use in abusing him because he happens to have some ideas of his own regarding old-age pensions.

If this bill is defeated, then we will be asked in a few days to increase the social-security allotments so as to pay some money to old people. The only question in my mind is whether they are going to get it or not. Everyone in the House here knows what has happened to the funds already paid into Social Security and realize that the people will have to be taxed again in order to pay a large amount that is to be paid out. We are now proposing to relieve the tax burden on business but at the same time continuing to increase our spending and borrowing. Anyone knows that if this is continued we are only postponing a certain day of reckoning. I think it is about time that Congress, if it is going to pay anybody anything from now on, make provision in the way of taxes to see that it is going to be taken care of and not postpone the agony until a later date.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Pennsylvania [Mr. VAN ZANDT].

Mr. VAN ZANDT. Mr. Chairman, mankind craves social security beyond all else in this life. Social security is the heart's desire of the human family. Social security is the goal of civilization. Social security is the primary purpose of government.

Since thought first flickered dimly in the mind of man, he has sought to protect and to preserve himself. Down through the ages, the principle of self-preservation gradually grew into something finer as many personal interests were subordinated and submerged in the rights of society. After 20 centuries of Christianity, the ideal of modern government has become social security.

Social security was the real objective that found expression in the first immortal American document—the Declaration of Independence. Thomas Jefferson envisioned social security for all Americans when he set down among certain inalienable rights, "life, liberty, and the pursuit of happiness."

That same shining light guided the founding fathers when they wrote the Constitution of the United States of America. The spirit of social security is embodied in the very preamble of the Constitution. The phrase "social security" had not been coined, of course, but the intent was plain. The primary purpose of this Government, created by the Constitution, is "to promote the general welfare and to secure the blessings of liberty to ourselves and our posterity."

For more than a century and a half we have been striving toward social security in America. Our progress may have been halting at times. Other pressing problems, both foreign and domestic, may have diverted us temporarily. But the inborn desire of mankind always set us back on the road to social security for all of our citizens.

Wider opportunities under our system of government have enabled a fair share of citizens to achieve social security by their own efforts. Rugged individualism always will be admired, but in our complex society experience has demonstrated that we cannot rely upon individual effort alone to produce social security for all and thus promote the general welfare.

This fact has been recognized for some years and social security, in the current sense of the term, has become a fundamental and outstanding problem of the Government. As a consequence, various policies have been adopted to bring our citizens closer to the goal. However, we all realize the steps taken to that end only make a meager beginning toward actual social security.

A few years ago Dr. Francis E. Townsend, of California, came forward with a proposal which is by far the best answer to our hopes and aspirations for social security thus far presented. The Townsend national recovery plan, as recently revised, squares with the spirit and the letter of the Constitution. It provides for the benefit of all our citizens, young and old alike, and thus would strengthen the Government itself.

The Townsend national recovery plan provides a sound method of raising revenue with which to pay more adequate annuities to the senior citizens of the United States. Taxes bear directly or indirectly upon all the people, and since all the people would benefit under the Townsend national recovery plan, it justly provides that all the people should bear the transaction tax to finance the plan. Moreover, the transaction tax is as painless as any tax ever devised.

The latest estimates, which are said to be extremely conservative, place the Nation's business at $360,000,000,000 annually. Under the Townsend national recovery plan, it is proposed to tax one-third of that amount, or $120,000,000,000, at the rate of one-half of 1 percent. Two-thirds of the Nation's annual business, or $240,000,000,000, would be taxed at the rate of 2 percent. The total annual revenue from these taxes would amount to $5,400,000,000. It is estimated that this would enable the Government to pay a little more than $56 monthly to the 8,000,000 citizens over 60 years of age.

While that figure would fall far short of the widely discussed figure of $200 a month, it is far more adequate than the pitiful pittance paid now under the Social Security Act. And the beneficial effects would be just as far reaching.

America owes a debt of gratitude to Dr. Townsend for his services in stimulating national interest in old-age pensions. To Dr. Townsend rightly belongs full credit for the Social Security Act. If it were not for Dr. Townsend, the President never would have conceded the pitiful inadequacy of the Social Security Act. If it were not for Dr. Townsend and his devoted followers, young and old, throughout the country, there would be no thought now in administration circles, much less any prospect of action, to liberalize the Social Security Act.

But the proposed amendments to that act are not liberal, much less adequate. I stand for the principle sought to be served by the Townsend national recovery plan. If we cannot reach the desired end in this manner, we must and will reach it by some other method. The defeat of this measure will not end this issue. On the contrary, it only will serve to intensify it. We will continue to fight until we have achieved honest-to-God social security for every citizen of the United States.

I will cite you a shining example of inadequate social security. It was taken from a preliminary report of the House Ways and Means Committee on the proposed administration amendments to the Social Security Act. That report carried a table showing how changes would benefit a wage earner whose average monthly wage is $100. It follows:

	Present monthly	Revised	
		Single	Married
Years of contributions:			
5	$17.50	$26.25	$39.38
10	22.50	27.50	41.25
20	32.50	30.00	45.00
30	42.50	32.50	48.75
40	51.25	35.00	52.50

It would require 40 years for a married man making social-security contributions, under that sort of a set-up, to even approach the benefits that would result immediately under the Townsend national recovery plan. Forty years—40 long years of toil from now until 1979 for a married man to be entitled to benefits of $52.50 a month, under the administration's amendments.

What of the present generation of elders? What are the unfortunate elder citizens among them to do? They cannot wait until 1979 for benefits of $52.50 a month. If any of

the present generation of elders survive until that date, they will set records for longevity.

Why not adopt the Townsend plan which would begin immediately to care for the elder citizens and at the same time give the younger generation an opportunity? Now is the time to act.

I want to say a word about these elder citizens who would benefit directly from the operation of the Townsend plan, while the younger generations benefited indirectly. They are the salt of the earth. They are chiefly God-fearing people, who have been the backbone of the Nation in time of peace and in war.

I have attended numerous meetings of the Townsend clubs in my district and I was impressed by the high type of citizens who attended them. They are good neighbors, the kind of people who carried the golden rule in their hearts and who carry out its precepts in everyday life.

These people are not the type to "raid" the Treasury, as some of the opponents of the Townsend bill have insultingly suggested. These same people put over the Liberty Loan drives in 1917–18. They gave their sons in the World War. Now, in the twilight of life, many of these good people are about to lose their homes because they are unable to meet the taxes on them.

Few of these elder citizens have squandered their reserves. Many had their savings swept away by the depression. They face a desperate situation today. Even those who have children can look for little aid from children, who must struggle to provide for themselves and their own children.

A large part of the population in my district are railroad men and coal miners. Some railroaders and some coal miners have been able to work 40 years at their occupations, but the percentage of men who can last 40 years at such hazardous occupations is small, indeed. What are they going to do?

Some ignorant and uninformed persons are inclined to say the Townsend plan would only benefit the elder citizens, and therefore the younger people are not supporting it. Nothing could be further from the truth. Go to a meeting of any Townsend Club in the United States and you will find as many young people and middle-aged people as old people there. Why? Because the younger generations have learned that they would benefit just as much as the senior citizens.

Think of the young men graduating from colleges and finishing high school and no opportunities open to them! Something like 3,500,000 young men find themselves in that position every year. In 1936, according to one reliable authority, 5,500,000 youths between the ages of 16 and 25 were out of school and unemployed and nearly 3,000,000 of them in dire distress or on relief rolls. Is it any wonder that members of the graduating class of a great eastern university a couple of years ago adopted the ironic slogan:

W. P. A., here we come!

Those are the sort of young people and elder people some gentlemen are inclined to ridicule and insult on the floor of this House. Let me tell some of the hearties in this House who have been beating their breasts and boasting of their courage in opposing the Townsend bill that they are not going to be back with us after the elections of 1940. We will meet but we will miss them. And there will be many a dry eye back in their districts when the people send a Member of Congress down here who will truly represent them.

On January 3, I took the oath and became a Member of Congress. I assumed an obligation to truly represent the people of my district. Among the people in my district are between eighteen and twenty thousand members of the Townsend organization, young people as well as old. I feel that I would be remiss in my duty to them if I failed to raise my voice in protest against the ridicule that has been cast upon these good people this afternoon by some of my fellow Members of Congress.

Some of the opponents of this measure seem to be very sure this bill is going to be defeated when we vote tomorrow. Perhaps it will be sent back to the Ways and Means Committee from whence it came without recommendation. But I venture to predict that it will come out of that committee and it will come back to the House backed by a favorable report.

I have had some experience in such matters. Some years ago, I sat in the gallery of this House and listened to the debate on the so-called Economy Act. Some gentlemen were very loud at that time in demanding that most of the economies should be made at the expense of the veterans of the World War and the Spanish-American War. They were very, very sure of their ground, at that time.

Since that day I have seen some of the very same gentlemen just as loud in their demands that the unjust cuts imposed upon the disabled veterans be restored. And some of the gentlemen who were loudest in their demands that the cuts be made in the name of economy, would gladly have voted for the restoration of those benefits if they had been permitted to remain in Congress. Unfortunately, however, the breast-beating advocates of economy at the expense of the veterans had been left at home.

Some years later, I sat in the gallery and listened to gentlemen who beat their breasts and yelled against the so-called soldiers' bonus. They called it a "raid on the Public Treasury." They declared it would wreck the Treasury. Well, the so-called bonus bill became a law and it did not wreck the Treasury of the United States. However, it did wreck the promising public careers of a number of gentlemen who voted against it.

I went all through that long fight for the so-called soldiers' bonus bill. We were confronted with heart-breaking defeats at several junctures. But we never stopped fighting. After each set-back we re-formed our lines and renewed the fight with added vigor and, in the end, we won.

We are going to do exactly the same thing on this Townsend bill. We never will quit until we have won this fight for adequate social security for all citizens of the United States.

Despite all the ridicule that has been heaped upon a certain section of this measure, I have no doubt about the soundness of the bill as a whole. If there are any real defects, they could be corrected later by proper amendments. Therefore, casting doubt on a single section of this bill does not disturb me. If there are any doubts I will resolve them on behalf of the people of my district.

Hence, I rise at this time to inform my colleagues that I am going to support H. R. 6466 and, in doing so, I am confident that I reflect the views of the vast majority of the people in my district. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield to the gentleman from California [Mr. IZAC] 2 minutes.

Mr. IZAC. Mr. Chairman, I represent the cradle of Townsendism. Nearly 150 clubs were organized and are still in existence in my congressional district. None of the organization leaders has ever been for me politically, so when I speak here in favor of this bill today I am not thinking of the leaders; I am thinking of those old people, a great number of whom—I call your attention to this fact—have come from your districts. They were not all San Diegans or Californians, but they have come there to make their home and they feel they can live on the pension that this bill provides if Congress would give it to them. Under the Social Security Act, unfortunately, we have 3,070 different kinds of pensions. Under the pending bill uniformity is the thing aimed for, and all people in the United States above the age of 60 will receive the same amount. If it is not very much, I still feel they will be satisfied. We have figured that this proposal will give them $50, $60, or $70 a month.

In 1960, and probably before, there will be 3,500,000 veterans of the World War to whom you will have to pay pensions at the rate of $60 a month. Think this over. Raise your sights a little, my friends. You are still going to have to pay $4,000,000,000 or $5,000,000,000 a year in old-age pensions even if you do not pass this bill. I believe that all of those people who have contributed to the welfare and upbuilding of this country are entitled to similar pensions. Under this bill we pay as we go. The bill may not be perfect, but it is the best we can hope for at this time; and therefore I shall support it, and I sincerely request that you who believe

in more adequate and better pensions for the aged people of the United States support it likewise. [Applause.]

[Here the gavel fell.]

THE GENERAL WELFARE ACT IS DESIRED BY THE PEOPLE OF CALIFORNIA

Mr. IZAC. Mr. Chairman, having been granted permission to extend and revise my remarks I include therein the testimony I gave before the Ways and Means Committee in its hearings on old-age pensions and social security.

(The committee reconvened at 2:30 o'clock, pursuant to recess.)

Mr. CULLEN. The committee will be in order. The first witness this afternoon is the Honorable ED. V. IZAC, a Representative in Congress from the State of California.

STATEMENT OF HON. ED. V. IZAC, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. CULLEN. Will you state your name to the reporter, Mr. Representative?

Mr. IZAC. ED. V. IZAC, Twentieth District, California.

Mr. CULLEN. How much time do you want?

Mr. IZAC. Just a few minutes.

Mr. CULLEN. Would you like to proceed with your statement without interruption?

Mr. IZAC. I don't care. I would just as soon be interrupted if the committee so desires. I have no written statement, but I would like to proceed briefly, if I may.

Mr. CULLEN. Proceed.

Mr. IZAC. Mr. Chairman and members of the committee, statistics tell us we are in a period with a decreasing birth rate in this country. It appears from the figures of the economists that we will arrive, about the year 1950, at a birth rate that no more than makes up for the death rate, and that the population from that period on will be practically stable. Also we find, owing, I suppose to medical progress, the science of medicine, that the life span of the average American has increased over what it used to be. In fact, in this present generation we see the age increased perhaps 10 years over what it was before.

All of this proves one thing to me, and that is that the population of this country in the future will be composed of a greater number of old people than we have ever known before; that also means that we must take steps at the present time to care for a greater number of old people, since in the present scheme of industrial methods there is no place for the old man in mass-production industries. That being the case, how are we going to take care of a greater number? How are we going to take care of a greater proportion of old people in our population?

I believe there is only one answer, and that is by some kind of a pension paid to everyone above a certain age, regardless of his situation in life, regardless of whether or not he has contributed to the retirement fund, and due solely to the fact that we believe everyone has had his share in the upbuilding of this country, and that therefore it is necessary for us to give an annuity to everyone, rather than singling out individuals of any particular industry or walk of life as having contributed perhaps a greater or less amount toward his eventual retirement.

I want to pay my respects to those of you who were here and passed the Social Security Act. I think it is a fine step in the right direction, and I hope we never go back. But I do think there are certain things that should be corrected in that act.

For instance, we have 3,000 different systems under that act today, just as many systems as there are counties in the United States. I have two counties in my congressional district. Those two counties do not treat their old people in the same way, and the cost of administration is tremendous. I would like to see a system inaugurated in which all of the money that is appropriated for the old folks goes to the old folks rather than having a large amount pay for administration, for investigation, for social workers, and the like.

I was very much in favor of the General Welfare Act when we asked for a hearing last year. I haven't changed my mind on that. I still think it is the best bill we can bring out, and I certainly hope this committee will at least give us an opportunity to vote on it on the floor of Congress.

The present act, as you know, covers too few people. It is not, as I have pointed out, the same in any two counties, and the Public Assistance pamphlet that I have here from the Social Security Board shows that the average payments last year ranged from $4.74 in Mississippi to $32.30 in California. I suppose you have heard those figures before, and I am not going to give you a mass of figures in my testimony today.

But I think it is worthy of comment at this time that the old folks of Mississippi are just as much entitled to relief while alive, in their later years, as the people of my State. But even the people of my State are not able to live with any degree of comfort on an average of $32.30, and that is why I think the General Welfare Act, with its provision for a tax on all of the people on a uniform basis, a uniform tax affecting the whole country and every industry in that country, is perhaps the most equitable provision that could be enacted into law—if it is 2 percent, if it is 3 percent—I don't care what it is, but in that one way, above all other ways that have been suggested, we are using for old-age assistance the money that is received and raised for that particular purpose, none of it going to take care of other matters of governmental import.

Now, as we proceed with the functioning of an act, such as the General Welfare Act, in which we raise the money by, let us say, a 2-percent tax, gross-income tax—of course, I know there is some difference of opinion about the transactions tax and the gross-income tax. For the life of me I can't see much difference. They appear to me to be practically the same. You tax money where it is. If I don't get any money, I don't have to pay a tax. If there is no money changing hands, there is no tax, but when I get a hundred dollars you tax me for that hundred dollars as I receive it.

It seems to me it is a very equitable tax. Personally, I have always been against the functioning of the net-income tax, because there are so many ways of avoiding payment of the tax, and your committee certainly has come face to face with that proposition in the last few years, and I want to compliment the committee on closing many of the loopholes that have existed for many years. And I dare say in the next few years you are going to be called upon to close some more loopholes that become evident as the days go by.

But when you propose a tax of this kind, let us say 2 percent, there is no evading it. As the money comes in, the cash register cannot lie, and the 2 percent taken from that total is the money that goes into the fund for paying annuities to our old folks.

It is readily observed that if we have a fund of a certain size and distribute that money among all of the people above a certain age, let us say 60 years, that there may come a time, because of a greater number of old people being taken out of places of employment, they will surrender to the younger generation more jobs than the younger generation can fill. I question that very much, however. In fact, I believe with the advance of technology we will be able to do the work of this Nation with perhaps one-third the workmen, and in that eventuality we will have to come to a lowering of the pension age perhaps much below 60 years.

But I believe that we should and will, if we enact this law, profit by the experience over the years, and when we find that a certain number of our people are needed in industry, all those above the age that is required for industry will be pensioned. Also I would not attempt to say what the payments should be, because that again depends on the number of people that have to be divided into the fund which is raised in order that all may share and share alike.

I also believe that there never should be a pauper's oath subscribed to by old persons in this country. If a person is in gainful employment, it seem to me that if he wants an old-age annuity paid to him he should be perfectly willing to drop out of gainful employment, and I believe that could be a provision of this act, so that as a pensioner receives his money for doing nothing, in reality he is opening up a job for a younger man.

And I also might point this out: When a man arrives at the age of 60 years, usually his family is raised. The man who needs the employment today, gentlemen, is not the 60-year-old, who should be taken care of by an annuity, but the young man who is trying to raise and educate a family. We are not doing that now; we are spreading a paltry few dollars in relief, some direct, some W. P. A., some under various methods throughout the country, among people who cannot find employment. How much better it would be to give an annuity to all of a certain age and provide work for all those below that age.

Now, I have something I would like to draw to your attention, gentlemen, that I do not believe has been touched upon yet in these hearings. This is my first opportunity to come before the committee and I don't know what has transpired in the past; but do you realize that at the age of 60 years, at the average age of 60 years, for the war veterans of the World War there will be 3½ millions of us left? And if the same rate of payment of pensions to those of us who are then alive is given as is given now to the Spanish War veterans, $60 a month, you will have between 2 and 3 billions of dollars just for that one class. Add to that all of your civil-service pensioners, add to that the retirement plans of Swift & Co., Armour & Co., and all of the big corporations, Standard Oil, and so on, and you will find that you will have billions and billions of dollars paid out in annuities 20 years from now that will make the few hundred millions we are paying out now seem like a drop in the bucket. I tell you this only to have you raise your sights to what we are coming to.

If $60 is considered sufficient for most of the civil service and the veterans and other civil and commercial firm employees, I don't see why we can't stretch it a little and cover the whole population in that way, pensioning all of those arriving at a certain age, say 60 years, or if we can reduce it to less, let us reduce it, and in that way do away with all our boards and commissions and investigators and social-service workers. I would like to see the day when the Veterans' Administration or some similar authority may send out the checks directly to all of our old people. All they should have to prove is that they are American citizens, eligible because of age, and then have all of the money that we raise go to them direct.

I believe that can be done with an administrative cost practically negligible. I understand that the Veterans' Administration cost for administrative purposes today is between 2 and 3 percent. Think of what relief today costs, what it costs the counties, States, and the Government. This will do away with a tremendous burden that the municipalities and political subdivisions are under at the present time.

I believe, gentlemen, that is all I care to say.

Mr. CULLEN. May I ask you a question?

Mr. IZAC. Yes.

Mr. CULLEN. I take it you are in favor of H. R. 11 as against H. R. 2?

Mr. IZAC. Let me say, Mr. Chairman, that in order to get out of a division among the old-age pension adherents in the House last year I withdrew from all participation in steering activities on either side, and I will not now take sides in this. I will, however, vote for any such measure as the one I have outlined, and I do not care whether, in the wisdom of the committee, they see fit to limit this to a certain amount or not, because I believe eventually, regardless of the amount that is raised it is going to be necessary for the committee or the House of Representatives or the Congress to determine whether that is a living wage or not. And if it is not a living wage we might just as well stay where we are at the present time, but if it becomes we will say $200 a month, as the original plan called for, and the cost of living due to some reasons over which we have no control amounts to $300 a month, it is readily seen that we are no better off than we are at the present time.

Mr. CULLEN. That $200 a month you say, would undoubtedly increase the cost of living?

Mr. IZAC. Undoubtedly the 2-percent tax will increase the cost of living; and I have yet to find a workman who will not agree on this; that he is perfectly willing to be taxed if he feels everybody else will be taxed likewise especially in a matter of this kind where he is going to have the benefit of that taxation in his later years.

Mr. CULLEN. And you also believe in the principles of the Social Security Act as written in our statutes today?

Mr. IZAC. Absolutely; I think it is the finest thing that was ever done by our Government in its 150 years, in being concerned with the welfare of the people under this Government.

But I do think there is room for improvement. We call this General Welfare Act, for instance, a recovery measure. We must not lose sight of that feature, that by putting more money into circulation, it is done to help business.

We saw that last year. We saw that when we appropriated $2,000,000,000 for the veterans. Its effect was felt, believe me. When those veterans spent that money the wheels of business turned. When you stopped appropriating money here a year and a half ago we almost came to a crisis, but last spring we saw the folly of that policy and we appropriated more money, and the result is we are enjoying a little bit of prosperity in this last 6 months or so, and I believe we are going along better and will continue to so long as Government spending is necessary, if we will meet that deficit which is certainly prevalent today, because business is not taking up the slack.

Mr. CULLEN. I was interested in Senator PEPPER's statement today when he said today, among other things, that when the Government paid the bonus to our soldiers we were then passing through, after they had collected this money, prosperity, and very nearly had our Budget balanced.

Mr. IZAC. Well, I will say this: I agree with the President of the United States. I think we can balance the Budget very readily if we will increase business in this country, because, and you gentlemen know it better than any other Members of the House, when you have a tax that tax is on every dollar that circulates in this country, and it is bound to come back when you increase the national income to $80,000,000,000, and I believe a measure of this kind, where we are putting actual money into circulation every month of the year, is bound to increase business.

Mr. CULLEN. Any questions by the committee? Mr. BOEHNE.

Mr. BOEHNE. I think you have given us a new thought that has not been expressed before with reference to the three and one-half million veterans who will arrive at the age of 60 years soon and who, in all probability, will receive pensions from the Federal Government for their services, plus the many other employees of various departments and of industry. Do you believe that those who are receiving this beneficence should also receive the same amount of pensions as may be payable to others over 60 years of age who were not fortunate or unfortunate enough to have been in the war, or the recipient of a pension in another form? In other words, wouldn't you have the same distinction there as you have now?

Mr. IZAC. I believe you would. However, I feel this way; if we will have a pension plan that will adequately take care of our older people, if some of them have a little bit more than the others I am not worried about those few being able to buy more of the luxuries of life. But what I am aiming at is the man and the woman who in their later years haven't anything on which to live. They have no pension from anybody. If we can give them, as we figured last year under the General Welfare Act, $60 or $70 per month, I would feel that they were at least being taken care of, that they would have the necessities of life and perhaps some of the luxuries. We will never, in a democracy, have everyone with the same income exactly, but we should see to it that there is a minimum below which we should never go.

Mr. BOEHNE. You are not necessarily wedded to the enforced spending policy, are you?

Mr. IZAC. No; I am not wedded to the enforced spending by anyone. However, I feel this way: If this 2 percent gross income or transactions tax is put into effect and it raises enough money to pay all of those over 60 years of age, say, $60 a month, I do not question that the people will spend that money and it will get into circulation. I do, however, question if you give them more than they normally consume whether there wouldn't be some hoarding of it unless you made it mandatory that they spend it within a certain length of time. There is that danger, but it is just like the man who has $5,000 and he goes out and hires five heads of families at $1,000 a year. Every one of those five is then able to live. He has money with which to buy food and clothing and shelter for his family. That money is all in circulation. Invariably it is all in circulation. Why? Because it is what it costs to live in this country, and we can determine that cost under an act of this kind; and if it produces too much money, we can lower the age limit so that it takes in more people below a certain age, even if we have to go to 55 years of age or some lower age.

Mr. BOEHNE. Yes; but using your same example, the man who puts the $5,000 to work is not going to put it to work unless he has reasonable assurance he will get it back. He makes an investment on which he wants, first, a return, and, in the second place, he wants to invest it in a form where it will not be lost to him.

Mr. IZAC. That is correct. I was not considering it from an investment standpoint. I was considering it from the point of view of the advisability of the Nation putting this money to work in that way.

Mr. BOEHNE. We all have that streak of human nature where we like to hold on to what we have.

Mr. IZAC. That is correct. Now, let us consider the Government of the United States. The Government of the United States is going to do that very thing, but you say, perhaps, they will not get anything out of it. I say they will. I say they will get a feeling of security for the old people that is worth billions and billions of dollars, a feeling of security that every person should have. Why, the comfort that comes from that is sufficient to cure most of the ills of this country. The ordinary bandit or robber is striving for security. If the ordinary citizen knew that at a certain time of his life he was going to be able to retire and have an annuity sufficient for his needs it would make for better citizenship.

Mr. BOEHNE. You are continuing a bit further than my question. When the Government passes out this money, it must receive it from someone else. There is a little difference there.

Mr. IZAC. That is correct, and that is why I am in favor of a tax such as this, which raises the money which we are going to use.

Mr. BOEHNE. I ask this question not facetiously at all, but do you believe that the transactions tax or the gross-income tax necessarily leaves our old theory of a tax basis, that of ability to pay? Aren't we getting away from that theory by doing that?

Mr. IZAC. Let me answer that in this way: If we had a net income-tax law that functioned so that every person paid in accordance with his income, I would say you are correct, but under the present set-up we have so many exemptions and so many ways of evading payment of taxes that I am convinced that there is only one sure way to get the money, and that is when the cash register says you have a hundred dollars, you take the tax from that, based on that $100.

Mr. CROWTHER. Congressman IZAC, you said that you were like the President—you were not afraid of our debt. How large a debt do you think we might safely accumulate in this country in the immediate future?

Mr. IZAC. Well, Mr. CROWTHER, I am not an economist, of course, but I would say that I believe we need never have any fear of the mounting debt as long as the people were patriotic, had some assurance of security in their old age, were absolutely sold on the principles of democracy, and believed in the fundamental American rights as enumerated in the Bill of Rights. I don't think money enters into it. I don't think it is a question of that. The credit of the Nation certainly is the people that make up the Nation, and as long as we have a free, liberty-loving population I shall not worry. I don't think the question of dollars and cents enters into it, because I believe there are lots of other ways of conducting our affairs than by putting enormous quantities of gold down in the ground some place, and so on. I think we have the ability in this country to run our affairs without gold if we have to.

Mr. CROWTHER. I don't agree.

Our Treasury is going along now, but we are going to be asked to increase our national debt $5,000,000,000——

Mr. IZAC. In our political economy, run as run by Italy and Germany, you bet we could. You don't have to have a dollar. I grant you you won't be able to deal with other nations so readily, but here not so long ago we were sending 400 tons of lard to Hamburg every week, out of Baltimore. It cost money in exchange, so Hitler said, "No more lard; we need other things more."

So, they don't have much lard and oil and grease in Germany, but just the same they are getting on. Why? Because there is a system of barter in that country. It is an internal economy. They can tell the rest of the world to go places, and they get along all right.

Mr. CROWTHER. Do you advocate that?

Mr. IZAC. No; I do not. We are a long way from that. But I merely tell you this to show you you don't have to have gold, except to a limited amount for international purposes, international trade.

Mr. CROWTHER. I am not talking about gold. I am talking about borrowing money and paying the interest on the national debt. It is now $1,000,000,000 a year.

Mr. IZAC. I don't care to try to burden the committee with my theories on that, but the monetary situation is not as I would like to see it, and I think we are in sad need of monetary reform. That, of course, would come under a different committee.

Mr. CROWTHER. That is a pretty extensive subject for study.

Mr. IZAC. Yes, sir.

Mr. CROWTHER. You quoted the fact of the recurrence of our prosperity with the distribution of the bonus money.

Mr. IZAC. Yes, sir.

Mr. CROWTHER. Are you aware that the Chairman of the Federal Reserve Board, Mr. Eccles, laid to the bonus, the recession which followed after that?

Mr. IZAC. I don't know that, and I can't agree with him, if he did, because I saw this money placed in circulation all over the country, especially by my buddies out in California, and I would say it had a tremendous bearing on the prosperity we enjoyed in California for a full year after the payment of these bonus bonds.

Of course, don't forget that was not the only money we were spending. You were appropriating here for relief and the like about $2,000,000,000 in addition to that. It was when you stopped all this spending, all of a sudden. In other words, we ought to retrench gradually. It was because it was done suddenly that we got into difficulties. That, I believe, was the real cause of the recession, and since we started on the P. W. A. program and money was in circulation in all the communities of the United States times got better, and while it is true we still have a great number of people unemployed, in my opinion that is not due to the fact that we have not done all we could in the line of public works and so on; it is due to the fact that we don't need so many hands to do the work of the Nation. The machine has made it unnecessary for us to use so many people to do the work. That is to what I attribute the need, really, for a pension of this kind.

Mr. CROWTHER. Of course, there is a great deal of discussion, pro and con, as to the truth of that statement, as to how far technological displacement of labor has contributed to our unemployment. That is a moot question. Now, you spoke a moment ago about mandatory spending. Have you any idea how to bring that about, administratively? What is your idea about that? What methods could be employed to make certain this money will be spent within the 30-day period?

Mr. IZAC. As I say, Mr. CROWTHER, I believe it will be unnecessary to pass any enactment against hoarding, or in favor of mandatory spending, unless this amounts to so much more than is needed by an individual on which to live. But I would rather see it—if there is so much money collected by this tax, I would rather see it go to lowering the age limit at which our people might profit by this annuity, even if we have to go to 55 or 50 years. But eventually, by experience, you are going to have to determine the balance there, how many people are taken off this roster to go on this roster, how much money does this bring in, which permits the payment of a living wage, something more than just the necessities, some of the luxuries for the older people.

Mr. CROWTHER. Have you made any statements—I missed the first part of your statement—about how many new jobs this will provide?

Mr. IZAC. No; I don't put in any statistics. I let the economists do that.

Mr. CROWTHER. Have you any idea?

Mr. IZAC. I figure roughly 4,000,000 jobs would be opened up immediately by all of the people who would accept this pension.

Mr. CROWTHER. Let me say this to you: I asked a witness a question referring to that the other day. I find that in the Government service, where there is an existent pension of $1,200 a year, under civil service, which becomes automatic at the age of 68, that of those eligible to accept that, only 6 percent had accepted willingly, and at 70, when it becomes mandatory, 93 percent of eligibles ask for an Executive order for extension of service.

Now, I wonder if in civil, economic life, the attitude is going to be any different on the part of the people who attain the age of 65 or 68 to immediately leave the scene of action. Here is a pension in the Government service. That is here. This other is a phantasy, to a degree, up to now. We don't know whether it will be here or not, or whether it will be $200 or not. All sorts of amounts are suggested here. You suggest $60 or $70. Dr. Townsend and other witnesses claim that would not be beneficial at all because that would not feed the purchasing stream necessary to bring about the activity that will develop the tax. I think at the first hearing in 1936 Dr. Townsend described that. I asked him what he thought about our $30 pension in the Social Security Act which we were discussing at that time, and if I remember correctly he said that just meant a little more beans and bacon, that is all; added sales of beans and bacon. They wanted enough to buy the products of the heavy industries, pianos, graphophones, radios, automobiles, rugs, carpets, furniture, and everything of that sort.

You say it is only going to $60 or $70. That is not going to bring about the result that is painted in roseate colors for us.

Mr. IZAC. On the contrary, Mr. CROWTHER, I believe it will. Very few classes of people in this country get the pay Government employees get. It may seem small to us in Washington because the cost of living is high, but just the same take the people in my district—the people in that district unless they are in a high-class metropolitan area, are not getting much more than $60 a month average. I know they are not out in California and that is considered one of the bright spots so far as living conditions are concerned.

I really believe you are going to find a great number of people are going to take advantage of this law if it is enacted and I further believe that if Dr. Townsend could be assured that more people would take advantage of this, down maybe to the age of 55 or 50 years, he would see that the same amount of money is placed in circulation and a greater number of people are given some chance to live—will at least gain some chance to have the necessities and luxuries of life.

Mr. CROWTHER. They won't get many luxuries on $60 a month.

Mr. IZAC. In some sections of the country they will.

Mr. CROWTHER. I have heard a great deal about California but I don't believe you can buy many luxuries in California on $60 a month.

Mr. IZAC. I know this, Mr. CROWTHER: I would like to have $60 a lot more than $35, and $35 is all we are getting out there today, and the average is $32. If we could get this $60, I am sure our people would be very much pleased.

However, if your committee wants to report out any bill that is any better than anything we have at the present time I will support it. I will support any bill that you bring out that is better. In fact, I can't see any reason why we should not treat our old people to the very best of our ability, and I will go with the committee to the limit. If you think that a mandatory provision of spending is best, I will go along with you on that, but in any case I ask the committee to give us more for our old folks than we have at the present time.

Mr. CROWTHER. I don't say that mandatory spending is best. I wanted to get your views as to how to administer it as to what might be done to bring it about. I don't think it is practicable myself.

Mr. IZAC. I hate to see any spy system over the American people.

Mr. CROWTHER. Sure. I don't see how you can do it.

Mr. IZAC. The administrative costs are one of the things I am complaining about now—the administration costs in the county, in the State, in the Nation as a whole. All this is taken from the one who is entitled to the old-age pensions. That is wrong; I admit it. It gives jobs to a few social workers and a few investigators and boards and things of that kind, but how much better to have that check come, we will say, from the Veterans' Administration in Washington here direct to the old person with no intervening medium, nobody else to use up some of the money that should go to those people who really need it, and who will put it in circulation, I am sure, because they want the good things of life. I don't think you have to make it mandatory.

Mr. MCCORMACK. Suppose the Members here and you constituted a little world. Suppose each one of us made $25 a week, and suppose you made $1,000 a month, and you arrived at 60 years of age. Do you think we have the duty of paying you $200 a month?

Mr. IZAC. I didn't say $200 a month.

Mr. MCCORMACK. Well, $100 a month.

Mr. IZAC. I say you should be taxed.

Mr. MCCORMACK. When you are making a thousand dollars a month and we are making $25 a week?

Mr. IZAC. The only way you will ever make this uniform is to give it to everybody, and if I am making a thousand dollars, or, let us say, I have a million dollars accumulated, and my income is that, and I am sitting back doing nothing, and it is just rolling in, still I would say I should be given that $50 or $60 or $70 or $100, whatever it may be, because if we attempt to differentiate between classes and types of people, it will not work. That is the reason you have to have a million employees in the Federal Government, in the Federal service.

Mr. MCCORMACK. Well, I guess you have answered my question. Let me ask you this: Of course, whatever plan there is, it will all start out with the proposition that we want to do the best we can, not only for the senior citizens, so-called, but for the other citizens. My views go beyond that. I think of the infant, whose parents are unable to give him the minimum needs; I am thinking of the disabled who are unable to take care of themselves. I don't think you will find any person who will disagree that we must do the best we can, but there must be a regard to this fact, that a simple transfer of purchasing power is not going to accomplish the ends you have in mind. If you increase the purchasing power of one group and decrease the purchasing power of other groups, do you think you are going to get the velocity which you have referred to?

Mr. IZAC. I believe by a better circulation of what money there is in this country, what income there is; yes. And furthermore, let me say this about your infant. That infant has a father and mother. They are in the prime of life. If there are any jobs, let us give them to this fellow, not to somebody that is 60 or 70 or 80 years old, because he has to work in order to keep body and soul together.

Mr. MCCORMACK. You understand that when I referred to infant, I meant one who is dependent upon someone for the necessities of life or who has no father or mother. There are countless numbers of those throughout the country that society must give consideration to and does give consideration to.

Mr. IZAC. You have dependent children under the Social Security Act at the present time.

Mr. MCCORMACK. But don't you think we should do as much as we can beyond the old person? Don't you think we should take care of everyone who requires assistance?

Mr. IZAC. I certainly do, and in that connection I introduced last session and again this session another provision to the Social Security Act, taking care of those who are helplessly crippled. We have never done anything for them, and they should be taken care of just the same as the blind, because a blind person can sit there and sell pencils, the helplessly crippled cannot even get out of bed. But I say if you will take the older people and pension them, the younger generation will then have the jobs, and they will provide for their families. Some are not able to do it today because

we know there are at least ten or twelve million of them that are unemployed.

Mr. McCORMACK. Let me ask you here from another aspect. Suppose you have a corner store out in your district—you can visualize the man who runs a little corner store, a drug store, a grocery store, or any other kind of a store; by the time the goods get to you that you sell to the public there will be quite a few transaction taxes, will there not?

Mr. IZAC. Yes; there could be.

Mr. McCORMACK. From a dozen to 15 transaction taxes.

Mr. IZAC. Well, I don't know that there would be that many.

Mr. McCORMACK. How many would you say at the minimum?

Mr. IZAC. Well, it depends on the commodity of which you are speaking. Let us take wheat, for instance. There is a good example, because bread is the staff of life. Wheat is sold to the miller.

Mr. McCORMACK. Let us take bread. There are over 20 ingredients that go into bread alone.

Mr. IZAC. Well, I don't know how many, but I would say at least several.

Mr. McCORMACK. It starts with the farmer, who grows the wheat. He pays a transactions tax.

Mr. IZAC. Oh, no.

Mr. McCORMACK. Oh, yes; under the Townsend plan.

Mr. IZAC. I see what the gentleman means. In other words, when he gets the money for selling his wheat, he pays a certain tax out of that. That is granted.

Mr. McCORMACK. Well, where does it go from him? It is sold on the market, is it not?

Mr. IZAC. It is sold to the miller.

Mr. McCORMACK. Then the miller pays a transactions tax.

Mr. IZAC. That is correct.

Mr. McCORMACK. That is true. Where does it go from the miller?

Mr. IZAC. He sends the flour to the baker.

Mr. McCORMACK. Well, that is a pretty broad jump, to the baker. What about the transportation from the farmer to the miller, in case the farmer does not do his own transporting?

Mr. IZAC. I would say that whoever gets the money is the one who pays the tax.

Mr. McCORMACK. There is a transactions tax there; that makes three.

Mr. IZAC. The transactions tax on the transportation is not based on the value of the commodity. It is based on the amount of service.

Mr. McCORMACK. True. Then from the miller it certainly doesn't go to the baker. I don't know much about it, but——

Mr. IZAC. I imagine it does go to the baker, in the big cities.

Mr. McCORMACK. What about the brokers. Aren't most of these things sold in some grain exchange?

Mr. IZAC. I presume so.

Mr. McCORMACK. Well, we will eliminate that. From the miller it doesn't usually go to the wholesaler, does it?

Mr. IZAC. I believe not. The miller—well, in southern California I would say it goes from the Globe mills direct to the bakers, the bakery corporations. Yes; I know it does, as a matter of fact. It is delivered in large quantities to the baking corporations from the miller.

Mr. McCORMACK. Yes; but we are talking about the corner store now.

Mr. IZAC. All right.

Mr. McCORMACK. There would be a transactions tax on the transportation, wouldn't there?

Mr. IZAC. Yes.

Mr. McCORMACK. Then there would be a transactions tax going to the baker.

Mr. IZAC. That is right.

Mr. McCORMACK. You are talking about the large corporation that does its own baking and retailing.

Mr. IZAC. I understand that nearly all large bakers now are part of a large combine.

Mr. McCORMACK. I can understand that. Up my way it goes to the wholesaler and from him to the jobber and there are several other transactions in it. In any event, as I see it, before it gets to the retail store there are some 8 to 15 transactions. You will agree there are more transactions in the case of a retail store, and the independent, than there would be in the case of a large corporation who is both the manufacturer and the retailer.

Mr. IZAC. That is right.

Mr. McCORMACK. What about the independent, the middleman, or the corner store? Could they stand that competition very long?

Mr. IZAC. Well, I would say if no other step were taken by Congress to have them all treated alike that there would be a saving to the big corporation that goes to the farmer and buys direct from him, processes the stuff, and presents it to the consumer on the table.

Mr. McCORMACK. And the result, unless there is some compensating law to protect the independent, the middleman, and the small store, is that he would be squeezed out.

Mr. IZAC. That is correct, sir.

Mr. McCORMACK. And that would mean at least 2,000,000 small-business men and independent-store men throughout the country would be squeezed out.

Mr. IZAC. I believe so.

Mr. McCORMACK. And that would affect from twelve to fifteen million employees throughout the country.

Mr. IZAC. People would still pay just as much for bread.

Mr. McCORMACK. I know, but it is everything. Bread is only an illustration.

Mr. IZAC. But the 12,000,000 people that would be thrown out of employment because of the corner grocer shutting down, or the corner druggist, or the corner clothing store, those people are certainly going to find employment somewhere else, unless we decide that one baker in each town is sufficient, like perhaps they do in Germany today, and one clothing store and one of each of these endeavors is sufficient, and have a sort of State-owned affair.

Mr. McCORMACK. You say they are going to get employment elsewhere. Can you tell me where? I would like to know.

Mr. IZAC. If there are a thousand people trading with a chain store, and 500 with a retailer alongside of him, I mean a private individual alongside of the big chain store, if the 500 go over to the chain store thousand, it is going to take more employees to take care of the 1,500 than it did the 1,000.

Mr. McCORMACK. You concede that if the chain store did that it would employ these people. Do you think it will absorb all the millions displaced as a result of this law?

Mr. IZAC. It could very readily. Take the city of Washington, or my city of San Diego. There are too many grocery stores, too many drug stores, too many garages, too many of everything. We can get along with less, and we could get along with one big establishment run by the State if we believed in totalitarianism. But we don't.

Mr. McCORMACK. Let us see where that leads us. That leads us to an intense monopoly of all the business activities of the country, as a result of the passage of this law, doesn't it?

Mr. IZAC. Unless there was some compensating law.

Mr. McCORMACK. I say with no compensating law, as a result of the passage of this law, your middleman is squeezed out and your whole country is in the control of the large corporations. They have the control of all business.

Mr. IZAC. I will say this, the big corporations will reduce the transactions as much as possible to avoid paying the tax.

Mr. McCORMACK. And that is going to affect the recipients of this pension. There is going to be less revenue then, isn't there?

Mr. IZAC. I believe so.

Mr. McCORMACK. But in any event, assuming everything you say is true about the middleman being squeezed out, and the employees being absorbed—and I know you won't be offended when I say I can't see it quite that far; there may be some of them absorbed or reemployed—assuming every one of them was, the passage of this law, unless something else is done, would bring about a highly centralized monopoly of business in the country.

Mr. IZAC. A little more highly than it is at the present time, I would say.

Mr. McCORMACK. It certainly would be to the extent of squeezing out a couple of million small-business men and independents. You don't stand for that, I know you don't. You don't stand for a monopoly of that kind, do you?

Mr. IZAC. Absolutely, if it is something for the welfare of the people, of course.

Mr. McCORMACK. Now, in the consideration of this bill, having admitted that condition will arise, unless something else happens, what are you prepared to suggest that some committee or Congress should do to prevent that monopoly happening?

Mr. IZAC. I would say this: I can see that we could still make this function even if we received less money, because if we don't raise money enough on the 2-percent gross-income tax, or transactions tax, you can still increase it. In Hawaii I understand they increased it for some things and decreased it for other things, and there is nothing hard and fast about it. If it is the kind of commodity such as you have in mind, the large chain-store groceries, we could say, "Well, that type of business pays a higher tax than any other kind of business."

Mr. McCORMACK. You would suggest punitive taxation to accomplish the purpose?

Mr. IZAC. Well, you can call it punitive, if you wish.

Mr. McCORMACK. It would be punitive.

Mr. IZAC. No; it would be an equalizing tax, to equalize the burden of the little fellow, so that the big corporation would have to pay practically the same.

Mr. McCORMACK. You say equalize the burden. You mean protect the little fellow.

Mr. IZAC. Well, it would be equalizing the burden. He will have to pay for many more transaction taxes than the big business, through whose hands these different transactions do not pass.

Mr. McCORMACK. Wouldn't it also be fair to say that it is to prevent the oppressive results of this tax from destroying the little fellow?

Mr. IZAC. Well, if it proved that it would be oppressive to the little fellow and that there was no way that the big fellow could be made to pay the same, then I think we would have to do something, because I certainly am in favor of the little fellow rather than have monopoly choke the life out of his endeavors.

Mr. McCORMACK. I realize that. I didn't ask the question on the asumption that you were not. I asked the question so that you would realize with the passage of the bill there are consequences that grow out of it, and two of them are consequences you would fight vigorously against; one, the throwing out of employment of twelve to fifteen million men, with the consequent reemployment of some, and, furthermore, the further development of monopoly in its most extreme form.

Mr. IZAC. I still think, however, that you could, by proper wording of an act of this kind, make it possible for each commodity

as it reaches the market or reaches the consumer to pay the same number of transaction taxes, and in that way you could make the big corporation pay the same as the little fellow of the country.

Mr. McCORMACK. Assuming Dr. Townsend testified they should be squeezed out, they are incompetent, the little fellow, you would not agree with that.

Mr. IZAC. Why, no; I think they have their place.

Mr. McCORMACK. I say, assuming he did testify to that, you don't agree with him. You believe the little fellow has a place.

Mr. IZAC. Yes; I should like to see the little-business man encouraged rather than discouraged, because that means just that many more businesses that prevent us from going totalitarian.

Mr. McCORMACK. And unless some compensating legislation or legislation of other kind is passed in connection with this bill, then the inevitable result is that the small-business man and the independent businessman is bound to be squeezed out.

Mr. IZAC. No; I say it could be right in this very act.

Mr. McCORMACK. I say, unless there is——

Mr. IZAC. In this act.

Mr. McCORMACK. Unless something is put in this act, or some other legislation is passed, the result of the passage of this act alone, as it now stands, would be the wiping out of the small-business man and the independent?

Mr. IZAC. I don't think any of us would agree to that.

Mr. McCORMACK. But unless something is done to protect him, that would be the inevitable result.

Mr. IZAC. Doesn't the gentleman believe we could have that kind of arrangement in a tax system? He is expert in taxation.

Mr. McCORMACK. I am just asking you for your view.

Mr. IZAC. I think, though, I am not as qualified to speak as the gentleman is, that your committee could very readily place in this bill a provision whereby there would be no short cut to transactions to avoid payment of these taxes.

Mr. McCORMACK. But unless there is something done at this time, in view of your admission, and our little colloquy, the monopoly that will develop and the squeezing out of the small-business man and independent businessman, would you want the bill passed without some protection in there?

Mr. IZAC. No; I would want it protected.

Mr. McCORMACK. Assuming it is not in there, would you vote for the bill?

Mr. IZAC. I would certainly make an effort to see that a provision was put in there, even if I had to offer the amendment myself.

Mr. McCORMACK. But supposing the amendment were defeated.

Mr. IZAC. I would still vote for the bill, because I believe we can make it work.

Mr. TREADWAY. Congressman, I was considerably interested in your reference to the national debt. You and Dr. Crowther had a little colloquy about it. I understood you to say the matter of the size of that debt is of very little consequence.

Mr. IZAC. I think so.

Mr. TREADWAY. You were brought up out in California?

Mr. IZAC. I have been there only 17 years.

Mr. TREADWAY. You didn't move there from New England?

Mr. IZAC. No, sir; I moved from Iowa. I was born and raised in Iowa.

Mr. TREADWAY. Because we of New England never were trained to that idea. Family indebtedness—it made no difference how extravagant anybody was—was an obligation, and went right straight along.

Mr. IZAC. Oh, but the indebtedness incurred in this country was incurred in a way I don't agree with, and certainly not like an individual incurs his indebtedness.

Mr. TREADWAY. But the Nation is just one big family, isn't it?

Mr. IZAC. No; but our monetary system is at fault there. It shouldn't be necessary for us to go to the bankers for the money or the credit which is based on the solidity of the Nation, and we, the people, make the Nation.

Mr. TREADWAY. You are not worried, then, that for 6 or 7 years now the Budget has been getting more and more out of balance, and our extravagance increasing and the public debt increasing, and taxes as well? That is all right, is it?

Mr. IZAC. Well, Mr. Treadway, I would say this: If we adhere to the present system and our national debt mounts and mounts and mounts, eventually there will be something akin to a panic in that our bonds and our securities will not have full value.

Mr. TREADWAY. Then you are admitting there is great danger?

Mr. IZAC. Oh, unless we have monetary reform, absolutely. I would like to see the Congress of the United States issue its own currency, in the name of the people of this country, rather than have the private bankers do so, and I certainly will never condone the making or breaking of individuals in this country by giving or denying them credit as is the custom to do today through the power given into the hands of a few bankers, when it is the right of the American people themselves, because it is their credit that is being bartered.

Mr. TREADWAY. Is that fiat money, printing-press money, you are recommending?

Mr. IZAC. Well, if you call fiat money or printing-press money that which is based on the credit of the 130,000,000 people that make up this Nation, then I will call it with you fiat money or printing-press money.

Mr. TREADWAY. Let us get back to the present monetary system. I think this is getting rather a long way from the subject of paying old-age pensions, but, assuming that we retain the present monetary system, then have you any worry about the size of the public debt?

Mr. IZAC. Oh, I can appreciate that it would go so high eventually that we would all have to be worried, but I don't think the time is anywhere near that we will have to worry until we definitely determine that we can't bring up the national income to somewhere near what it should be, from 75 to 80 billions of dollars. I am convinced in my own mind that if we will bring our national income to that figure, owing to the tax methods you gentlemen have inaugurated, or at least recommended to the Congress, which we have backed up very faithfully, we will be able to balance the Budget and pay off the national debt, because every bit of money that is in circulation under the present tax system is going to pay its share to the retirement of this public debt.

Mr. TREADWAY. Do I understand that you are saying that by the adoption of one of these welfare or Townsend bills that the circulation will be such and that taxation will be such so that it will reduce the public debt?

Mr. IZAC. I didn't say that.

Mr. TREADWAY. That was the inference that could be drawn.

Mr. IZAC. Well, I will interpret that this way, that if we will increase these payments directly to the old people, there certainly will be more money in circulation.

Mr. TREADWAY. There is no new money, is there?

Mr. IZAC. There will be a better distribution of what money there is.

And, furthermore, this tax, and the money that is paid into this fund, the raising of this fund from which you pay the older people, the raising of that money by taxation—that money is not going to be used for any other purposes, certainly until it is determined that you have so much money that you can use it for other purposes. In other words, if this gives $60 a month, we will say, to every old person above a certain age, and then all of a sudden business gets so good that it brings in twice that amount of money, I would be in favor of reducing the age to put more people on the pension rolls until we have all the younger people absorbed in gainful employment, and then if it brings any more money, certainly I see no reason why it should not be used to pay off the public debt.

Mr. TREADWAY. Just an observation: When I was a comparatively young man—and I don't admit to too many years yet—this idea of caring for the old people was not carried to the extreme it is now. In other words, as a young man I felt some obligation to take care of my parents. That doesn't seem to be fashionable any more. They want the Government to do it.

Mr. IZAC. Yes, Mr. Treadway; but supposing there were no children, in those days those folks went to the poor farms. I think we have progressed beyond that stage. I wouldn't want to see us go back to the days of the poor farms. I think this is an age in which we can produce all that the people need. I can't see why we should deny the old people any of these things. I believe we owe it to them. If we can't do it without placing a tremendous burden on the rest of humanity, I would say, "Well, of course, there is a reasonable doubt there," but I believe we can produce all and more than we need.

Mr. TREADWAY. Just one more observation, but before I make that observation I want to admit that I consider you one of the greatest optimists I have ever heard express views on the possibilities. I congratulate you on your bright outlook for the future.

I have been a Member of this body for some years. Congressman CROWTHER referred to a billion dollars of interest. We are paying now about $1,000,000,000 a year in interest on our indebtedness. That amount of money more than supported the whole Government, when I first came to Congress. Isn't that developing the debt in a pretty rapid manner, so that unless we take an optimistic view of it, that there is no obligation to ever meet that debt, it is disheartening to some of us.

Mr. IZAC. Well, Mr. TREADWAY, supposing you take the income that would come into the Treasury of the United States by eliminating the tax-exemption feature of that national debt, wouldn't you be reducing that billion-dollar payment in interest by a tremendous figure?

Mr. TREADWAY. Of course, there is a matter of moral obligation there. We have already assumed that indebtedness, and the obligations that it represents are practically tax-exempt. You wouldn't want to have the Government or the Congress go back on its word to the owners of those securities today and tax them now, would you?

Mr. IZAC. No; I don't believe we could make them retroactive, but I believe we are making a terrible mistake in continuing that policy, because then we would have from the income of this country enough paid into the Treasury to pay the legitimate expenses, I am sure.

Mr. TREADWAY. We have dealt in generalities so far. Let us get down to brass tacks. You mentioned here $60. Which bill do you favor, H. R. 11 or H. R. 2?

Mr. IZAC. I favored last year the General Welfare Act, and that was when I was on the steering committee, and until there was dissension in the ranks and they formed into two groups. I was with everyone in favor of legislation for old-age pensions. After they had this dissension I refused to be a party to either. This year I am taking no sides, but I am going to support any bill you gentlemen report on the floor. Either of these bills or any bill better than what we have at the present time. I believe in the General Welfare Act, and although both bills have some features of it, I might not be able to agree that both sides know exactly how the thing is going to work. But I will support them, because I believe either bill is a vast step in the right direction over what we have at the present time.

Mr. TREADWAY. We have had various types of testimony here in the last month. The proponents of the General Welfare Act seem to think that the range of possible payment was from $30 to $60 per month. Then we had the advocates of Dr. Townsend's measure, so-called, H. R. 2, and they wanted to prorate the receipts from the tax. What do you think is the limitation?

Mr. IZAC. The economists with whom we spoke last year said it would be about sixty or seventy dollars, they figured, under the 2-percent transactions or gross-income tax. That, I believe, would satisfy our people. Whether it would give the recovery features that Dr. Townsend is striving for, I don't know, but I do believe it can be balanced against the number of people above a certain age and the number of people below that age who need jobs. In other words, we have to strike a balance there.

Mr. TREADWAY. I think you mentioned either form of tax, either the transactions tax of 2 percent or the gross-income tax. Which would you prefer?

Mr. IZAC. I like the gross-income tax, but I have never been able to find what the difference is. In other words, consider the gross-income tax—if I receive any money I pay on that money; in the transactions tax, it is exactly the same thing.

Mr. TREADWAY. Never mind that at the moment. I just want to follow up this one thought. Do you think $60 would satisfy those who are advocating this measure?

Mr. IZAC. I believe so.

Mr. TREADWAY. Well, it doesn't satisfy Dr. Townsend.

Mr. IZAC. It did last year.

Mr. TREADWAY. It didn't last Friday.

Mr. IZAC. I haven't talked with the doctor since last year.

Mr. TREADWAY. Two hundred dollars was the minimum.

Mr. IZAC. The minimum?

Mr. TREADWAY. Yes, sir.

Mr. IZAC. Well, it was the maximum last year.

Mr. TREADWAY. Well, of course, it has grown. It is like Topsy—it just grew up. But he certainly testified to that. If you weren't here——

Mr. IZAC. No; I wasn't here.

Mr. TREADWAY. Dr. Townsend testified that he thought $200 was the minimum, and it should be increased within a comparatively short period to $300, and then I asked him what about this $60 proposal and he said: "I would advise all friends of mine to vote against that bill."

We were trying to see whether there wasn't some place we could meet on this thing, but he definitely repudiated the people that said $60 was the maximum. That is all given up so far as he is concerned. He said he would advise his friends not to vote for any such bill as that.

Mr. IZAC. Well, Mr. TREADWAY, last year he told me himself that he asked that that bill be introduced that we know as the General Welfare Act, and economists told him and told us that it would bring between sixty and seventy dollars to the old folks, so they figured.

Mr. TREADWAY. What has increased it this year?

Mr. IZAC. I don't know. The only thing I can say is that two hundred or three hundred dollars a month, if we had that much money, might better be used to lower the age limit of those who would profit by this division of annuities; the division of the fund among a greater number of people and eventually to the paying off of the national debt. But I can assure these gentlemen of one thing, and that is if you get two or three hundred dollars a month out of a tax of this kind, unless the economists are dead wrong, it would increase the cost of living so high that maybe the two or three hundred dollars a month would be the same as twenty or thirty dollars a month is now under our present economy.

Mr. TREADWAY. You admit, then, that the larger taxes, the more collected from the tax, the more it will increase the cost of living?

Mr. IZAC. Oh, I think so. Two percent will increase it a certain amount; 3 percent will increase it more.

Mr. TREADWAY. Don't you think, in view of the situation in which this committee finds itself today, with the diversified ideas presented to us, don't you think the advocates of this whole system ought to present a united front here of some kind?

Mr. IZAC. No, Mr. TREADWAY.

Mr. TREADWAY. You don't?

Mr. IZAC. I don't think it is possible.

Mr. TREADWAY. Well, I am inclined to agree with you.

Mr. IZAC. Different minds have different viewpoints.

Mr. TREADWAY. I was just reading an extract from Dr. Townsend's statement here, made on February 17. I made this remark:

"Mr. TREADWAY. Now, getting back to this matter of the amount of money involved. It would seem, I think, and some witnesses have testified that your figure of $200 was rather high. Judging from that testimony now, I take it you think that figure is too low. You say you could go up to $300?

"Dr. TOWNSEND. It might not be too low to start with, but it inevitably will be too low to maintain a proper standard of living, if we concede that our business activity is not static; if we concede it is going to grow with the discoveries of science and the application of those discoveries, certainly we are going to have to raise the standard of living for all classes of people."

That is pretty definite, isn't it?

Mr. IZAC. Yes. I will say as far as the people of California are concerned, that those I know are interested in this plan, were satisfied with the General Welfare Act as it appeared last year. I have never been sponsored by any of these organizations, I will say to the members of the committee. Neither the Townsend organization supported me nor has any other organization ever supported me, so that does not enter into my argument. My arguments are these: The people of California, and I believe the old people of all the United States, feel they should have a better break under present-day conditions. I agree with them, and I am here to give them the very best I can, and I believe the committee is going to try and do the best it can for them, and I am satisfied these hearings are going to result in something definite being done that is going to better the lot of our old people, so I thank the committee for holding these hearings and for giving me an opportunity to appear before it.

Mr. CULLEN. We thank you.

Mr. DOUGHTON. Mr. Chairman, I yield 4 minutes to the gentleman from Oklahoma [Mr. MASSINGALE].

Mr. MASSINGALE. Mr. Chairman, I wish simply to announce that I am going to support this measure. I am supporting it because of the fact that I owe an obligation to the old men and women of my district who are in a condition of poverty and misery. There is no hope for them ever to get out of that rut unless Congress takes it upon itself to do something to bring them out of it.

I have seen bills killed in this House before by manipulation. I do not know what the Ways and Means Committee may think of their action in this particular—there is no use in my expressing an opinion—but I fear that in the days to come, when the accounting time shall be, somebody is going to have the idea that the action of that committee was more or less pusillanimous [applause], because that committee has done nothing.

Mr. HOFFMAN. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. Does the gentleman from Oklahoma yield for a parliamentary inquiry?

Mr. MASSINGALE. No. They have been in session for 5 months.

Mr. HOFFMAN. Mr. Chairman, a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. HOFFMAN. Mr. Chairman, I ask that the gentleman's words be taken down.

The CHAIRMAN. To what words does the gentleman from Michigan object?

Mr. HOFFMAN. The gentleman used the word "pusillanimous." I would like to know if we have to sit here and hear such criticism made of the Committee on Ways and Means.

The CHAIRMAN. Does the gentleman from Michigan insist upon his point of order?

Mr. HOFFMAN. Yes, Mr. Chairman, I insist on the point of order.

The CHAIRMAN. The gentleman from Oklahoma [Mr. MASSINGALE] will suspend until the words can be taken down.

The Clerk will read the words objected to.

The Clerk read as follows:

When the accounting time shall be, somebody is going to have the idea that the action of that committee was more or less pusillanimous.

The CHAIRMAN. The Committee will rise.

The Committee rose; and the Speaker having resumed the chair, Mr. SMITH of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 6466, certain words used in debate were objected to, which, on request, were taken down and read at the Clerk's desk, and that he reported the same herewith to the House.

The SPEAKER. The Clerk will report the words objected to in the Committee of the Whole House on the state of the Union.

The Clerk read as follows:

When the accounting time shall be, somebody is going to have the idea that the action of that committee was more or less pusillanimous.

The SPEAKER. The Chair cannot find anything objectionable in those words.

The Committee will resume its session.

The Committee resumed consideration of the bill H. R. 6466, with Mr. SMITH of Virginia in the chair.

Mr. MASSINGALE. Mr. Chairman, I further want to state in this connection that while I do not appreciate what has been done, I never meant any reflection on the Ways and

Means Committee. I am sorry that the Ways and Means Committee did not do its duty as I see it. That is the only thing there is to it.

Now, here is the situation that confronts this Congress: We have these old people. We are not addressing ourselves to the Ways and Means Committee. We have these old, destitute people in America. They are in my district by the tens of thousands, and I know the same is true in every other congressional district in the United States. This bill offers an opportunity to break away from the old and established order of money distribution by providing for a monthly pension to the old people in the United States. It will cost a great deal of money, in a sense, to operate the bill, because you cannot pay pensions unless you have the money with which to pay them. The money, though, becomes a sort of revolving fund, and the main thing about it is that it is put into circulation, and the people that contribute to the fund get it back in the way of increases in business, or, rather, they have a chance to get it back that way. As the matter now stands, there is no chance, no opportunity—the door is shut in the face of our millions of old people. No amount of knocking at the door, no appeals that it be opened, will ever fall upon the unwilling ears of those who now have control of the money system of the country.

I believe that every Member of this Congress realizes that for the last 5 or 6 years, and perhaps for the last 10 years, there has been little of the restful health-giving and health-sustaining sleep for our old people. They are denied the right to work. They are too feeble, most of them, to work; and if there should come an opportunity to a great many of them to get work, they have not the strength to do it. Adversity overtook them and still has them in hand. Instead of peaceful sleep, interspersed with an occasional pleasant dream, it is easy to fancy these old people in the paroxysm of a nightmare. In fact, these last few years have been years of nightmares to the old. The inexorable economic laws under which we live have just simply forced the old people out, and they are down, and begging Congress for some kind of merciful legislation that will enable them to go the balance of the way with their heads erect and with hope in their hearts that they may escape the potter's field when the time comes to die.

I realize that this bill is not what it ought to be, and I am conscious of the fact that it has been loosely drawn, that it has not been perhaps as carefully worded as it should be, but it is a bill that offers an opportunity to escape the clutches that hold our old people down to poverty of the very worst form—that poverty which neither affords sleep, food, comfort, nor hope. This bill, however, like any other bill, when once enacted and its imperfections arise, Congress can clarify, rectify, or amend, until it shall bring to the people in unmistakable language its purposes and its object.

One of the dangers that beset a person who desires to vote to try to better the condition of our old people is that it is too easy to alibi failure to support any kind of a bill. In the debate on this bill, we have heard some say that it is fantastical and full of dangers and pitfalls, and that it will cost the farmer a lot of money, and that it will cost the workingman a lot of money, and that it may not operate with uniformity against every class of business in the country. I grant that that may be true, but the bill is a step in an independent attitude to change things from our present economic condition to a condition where perhaps something better can be done for our old people.

I believe that nearly everybody in America in the abstract favors a uniform old-age pension law, providing an adequate pension each month so that our old people will not be in continued distress but that they may have sufficient money, deprived as they are by the economy of the time from work or a right to work, so that they may have the necessities of life. The Townsend plan may be a fantasy, and the delirium of the people may not be of long duration, for the people want something like this, but we must at the same time remember that the unfortunate condition of our Nation will justify almost any imaginable proposal for the betterment of those who all of us are free to say need to be protected in a manner better than they are being protected by this great and powerful Government. If there should be anyone who is satisfied with the old order of things and with what we have, of course he has a right to oppose this bill but he ought to be honest about it and he ought to be unequivocal in his statement about it. I have observed Members on both sides of the aisle contend that they cannot afford to support the bill because it is accompanied by what is called a "gag rule" which prevents the bill being changed or amended on the floor of the House and requires that it be voted on as it is written. To me that is not a very good reason to assign for voting against this bill.

Some Members seem to take the position that the Ways and Means Committee should be upheld and that this bill should be killed. I do not think that is a reason for opposing the bill. I do not think the Ways and Means Committee met its obligations in the manner in which it jostled the bill out of that committee, but that does not justify me in voting for the bill or against it. I have the greatest of respect for the Ways and Means Committee, and if that committee feels satisfied with the manner in which they have handled it, that is good so far as I am concerned, because I have to concede to the members of that committee that they did what they thought was best under the circumstances. I do not owe it, and no other Member of this Congress owes it, to the Ways and Means Committee to vote it a shower of roses because of the manner in which they have handled the bill. In casting your vote you are either voting for the interests of the old people or you are voting against their interests, and why not meet the issue that way?

Much abuse has been heaped upon the head of Dr. Townsend, the originator of the Townsend idea of granting pensions to the old. In my judgment, it does not make any difference how much contempt a man may have for Dr. Townsend, it is not Dr. Townsend that you are voting for if you vote for this bill; it is not Dr. Townsend that you are voting against if you are opposed to this bill. It makes no difference how much of a loon you may think Dr. Townsend to be, how insincere you may regard him, or what you may think of his conduct in appealing for and receiving each year huge sums of money from our unfortunate old, you have to accord him this niche in the hall of outstanding people in America: He is the individual that sold the American people on the idea of pensions for the old people of the country, and you must say of him that he possessed in a remarkable degree a thought of some sort, even though wild and impractical and visionary, that gripped the imagination of our old people in a manner unknown of any other in recent centuries. Dr. Townsend seemed to have caught the idea that the present economic program has failed this Nation and left our old people without jobs, without money, without food, without clothing, and without anything except a fast-fading hope that sometime, through some kind of legislative program, Congress might act favorably in their behalf. This thought of his gripped the Nation with a religious fervor akin to some of the thoughts and ideals expressed by notables who have gone before him in centuries past. Let us accord him that much recognition because it is due him, and let us not use the stiletto to stab our old people in the heart simply because you do not judge Dr. Townsend to be the kind of man he should be or because you believe he may have extracted money from these old people and not used it properly; or because the bill is not worded with as much elegance as some Members of Congress might be able to word it; or because it was accompanied by a so-called gag rule when it came up for consideration.

There have been many prophecies of disaster to the economic set-up if the bill should be adopted and become a part of the law of the land. It is very difficult for me to visualize a worse economic condition than we already have.

There is another alibi that has been offered in the debate on this bill that is wholly inexcusable. Many members of both parties have tried to excuse themselves from a vote in favor of this bill upon the ground that they have incubating in their own minds a feasible, sensible, workable bill for the relief of

our old people that will pay in the neighborhood of $60 per month. This plea comes too late. There has been nothing, so far as the record shows, in the daily lives of these gentlemen who offer these baits why they have not produced them before they began to put in their alibis or excuses for not voting for the bill. True, this bill, according to the way the economists figure it, will not produce any great deal of money—$35 to $40 at the most—then why should any Member lie low and keep his mouth shut until the time comes to vote and spring a pension idea which he says that he has developed that will pay our old people twice as much money as this bill probably offers them?

So far as I am concerned, I am willing to forget all of Dr. Townsend's shortcomings, if he has any, and I suspect he has. I am willing to forget and forgive the Ways and Means Committee if they have not done the proper thing in their report of this bill. I am willing to overlook errors in draftsmanship employed by those in writing this bill. I am willing to forget that lack of wisdom and strength that the bill reflects from its wording, and try to fall in the line of endeavoring to do something that will better the condition of the old people of this country.

We should be on the square with our old folks, and every Member here knows that it would not be a difficult matter, once the machinery is set in motion, to make of this bill a real worth-while bill that will materially improve the condition of our old people and enable them to enjoy the few remaining years that they have yet to live. Congress has the power to do this. No other body in America has it. Unless Congress assumes it and has the courage to act, there is no hope for our old people. I am persuaded that my conscience unerringly directs me to vote for this bill, and I am going to do it.

Mr. DOUGHTON. I yield 2 minutes to the gentleman from Washington [Mr. COFFEE].

Mr. COFFEE of Washington. Mr. Chairman, perhaps after 4 hours of heated debate a frenzied statement made in the excitement of controversy can be excused. I hope we will not lose our sense of humor. There are those of us who every 2 years have gone through rather heated campaigns, so when we get on this floor we should have our skins thickened against the jabs that are made by the debaters in the controversy. I am sure the gentleman from Oklahoma [Mr. MASSINGALE] intended nothing personal and no invidious reflections deleterious to the character or integrity of the very fine statesman from the State of Michigan [Mr. MAPES], whom we all honor and respect.

I take the floor briefly, Mr. Chairman, to state that, representing the Sixth Congressional District of the State of Washington, where we have myriads of members of the Townsend clubs actually functioning, I am going to give my vote to this measure, not because I believe it is a measure of perfection, not because I think it is infallible, but because I believe it to be a step in the right direction.

I do not intend to get up here, as do certain other Members of the House on both sides of the aisle, and assume the role about which Shakespeare wrote when he said:

I am Sir Oracle, and when I ope my lips, let no dog bark.

I do not believe any one of us can arrogate to himself those vanities which make him believe he is omniscient on the subject of legislation. Each of us has his own opinion, and each of us comes from a district wherein certain influences are exercised and wherein certain people are moved by what I believe to be laudable impulses. I know that in my district the preponderant sentiment of the people resident there is for the adoption of this bill. Something vital should be done to solve the problems of the elderly of the United States. I am surfeited by the prospect of waiting around here year after year while we spend unlimited sums to provide for ameliorating the condition of the beasts in the fields and the birds in the air and the insects in the ground and for the Army and the Navy and soil erosion and every other thing under God's sun, yet forget the people who comprise the rank and file of the population of the United States. [Applause.]

Mr. Chairman, this bill is before this House for debate and vote as the result of insistent demands made for relief by millions of people in these United States. We have temporized and experimented with heterogeneous panaceas and remedies, yet so far, though we have ascended several rungs of the ladder, we are confronted with poignant misery, widespread poverty, cruel insecurity, and economic injustice in our land. The debate today has dealt with the personality of Dr. F. E. Townsend, sponsor of this measure; has embraced arguments to the effect that the bill would eventuate in financial bankruptcy for our country; has been replete with patronizing references to the mentality of those who subscribe to the principles of the proposed legislation. Violent jeremiads have been hurled even at the mild and conservative Committee on Ways and Means because it made possible a vote on the measure. Amazing reflections have been made upon the elderly members of Townsend Clubs, the assertion being repeatedly uttered, in substantial effect, that these aged folks were witless, gullible, deluded, not altogether rational.

Resort has been had to ridicule and scurrility in reference to the Members who sponsored the measure. It has been charged that the bill is ludicrous, asinine, and filled with meaningless jargon and incomprehensible terminology.

Mr. Chairman, you cannot laugh this movement out of existence. It is here to stay. The American people demand that the sword of Damocles of economic insecurity hanging by a tenuous thread over the heads of the majority of Americans shall be blasted out of existence. The American voter is not dull, nor so thick-witted as to accept kidding, complacently, for long. He is conversant with the wealth of the Nation. Our elderly citizen, sitting in his rickety rocking chair at night beside a rusty stove, resting upon a carpetless floor, reads in the daily papers of the antics of America's socially elite. He is not amused, but grows indignant when he learns of the cavorting of debutantes at "coming out" parties, where champagne flows like water and where doting parents vie with each other in putting on lavish displays so as to impress society with their prosperity. The indigent aged are not reduced to laughter by reading of salaries of $100,000 or more paid to the executives of countless corporations, while they face the long night of worry, semistarvation and uncertainty as to what the morrow will bring. Our older fellow citizens in pecuniary distress, read of the more than $15,000,000,000, of gold stored away in the vaults of Kentucky; they read about the $30,000 sable fur coats of America's wealthy women; they read of the priceless jewels and gaudy baubles with which the wives and sweethearts of America's wealthy are bizarrely caparisoned; these elderly see the photographs of the fabulous country estates of fellow Americans; they note that the banks are crowded to the doors with idle money and credit.

No, Mr. Chairman, these needy persons cannot be made to be content for long. They rebel against the curse of a system which visits upon them wanton misery while reserving to a select few luxuries beyond the dreams of avarice. They demand a decent national old-age pension, not based upon a pauper's oath but as a reward for being veterans in the struggles of life. They are battle-scarred from economic contests and feel that in the richest country on earth the specter of homelessness and poverty should be permanently eradicated from their lives. I subscribe to this feeling.

I fully realize that this measure will not pass. It will not pass because of prejudice; because in many sections of the country the needy are not allowed to vote; because of machine politics; because of innate conservatism; because of unwillingness of many Members to embark on a new course; because of lack of comprehension of the details of the plan.

This bill in sum is a recognition of our obligation to take care of the elderly. It provides merely for payment every month of the proceeds of a gross revenue tax to citizens over 60 years of age. It ordains a compulsory spending on the part of the recipient. It decrees security for the aged, contemporaneous with the opening of new avenues of opportunity for the young and the middle-aged. It is a pension and recovery program. It has avoided many of the objections

hurled against previous Townsend bills. It means that we are force-feeding into the channels of national business the red corpuscles of new purchasing power, the paucity of which has precipitated America into the economic depression of '29 and following. It is a pay-as-you-go plan and requires no army of officials to enforce it.

It is economical in that it anticipates the war veterans of the future. I insist that if you deny the people this Townsend program you must offer a tolerable substitute. You have denounced it, my colleagues, but you have given us no alternative. You propose to tell the people that though they have asked for bread you will not even give them a stone.

America is saturated now with subversive activities; discontent breeds in ground made fertile by poverty and want. Intolerance is fructifying; racial hatreds grow stronger daily; the General Moseleys and the Fritz Kuhns are abroad in the land spewing their hymns of hatred. Why do we have such seemingly unsound manifestations? Because, Mr. Chairman, we have not been willing to face the situation realistically. We have renovated, repaired, patched, spliced, and otherwise sought to adjust nineteenth-century methods and legislation to the requirements of the twentieth-centry streamlined, technological age.

Therefore, Mr. Chairman, I shall cast my vote for this bill, fully cognizant of the fact that it will not solve all our troubles but that it will spread more equitably some of the wealth of America to and among those who need its benefits the most. [Applause.]

From the Fawcett Avenue Townsend Club, No. 10, of Tacoma, comes a message by wire in which the secretary, Mrs. Le Vesta Milton, states that this bill will solve our economic problems and give young and old hope for the future.

J. Hold, secretary, and Mrs. E. H. Lee, president, of the Lake City Townsend Club, of route 1, Tacoma, have wired me, vigorously espousing the bill before the House.

Ethel Peck, secretary, acting for the Des Moines Townsend Club, enthusiastically champions the measure.

L. S. Russell, president, wires me that Townsend Club No. 21, of Tacoma, are praying for the passage of this bill.

Dr. D. H. B. Smith, secretary of the Manitou Townsend Club, No. 24, of Tacoma, militantly endorses H. R. 6466 in a wire just received.

F. B. Springer, president, and Elsie Kettlewell, secretary, wire me that the South Tacoma Townsend Club, No. 8, insistently urges the passage of this measure.

L. F. Ellison, president, and Mrs. Laura Moe, secretary, of Fircrest Townsend Club, No. 19, of Tacoma, ask me to use every effort to support H. R. 6466, now under discussion.

Alice M. Gebbers, president of the Horace Mann Townsend Club, No. 15, of Tacoma, has sent me a lengthy wire signed by scores of members, declaring the militant feeling of that club in support of the instant measure. Likewise the Ruston Townsend Club, of Ruston, wires support of this bill.

These and other wires and messages, Mr. Chairman, are indicative of the tremendous backing for this bill in my congressional district.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Colorado [Mr. MARTIN].

Mr. MARTIN of Colorado. Mr. Chairman, I suspect my situation with respect to this proposed legislation is different than that of any other Member of this body. In the first place, although I helped the Townsend bills in every possible way for 4 years in two Congresses, yet in two campaigns they unanimously endorsed my opponents, and I was pilloried from one end of my district to the other as public enemy No. 1 not only of the Townsend plan but of all old people. Then last year they endorsed me for Congress in my district over my protest. [Laughter.] I told them they could not possibly do that in the face of the record they had made for me, but they did it. I accepted their endorsement, and I feel that acceptance places me under a moral obligation to support this legislation, although it is far from the bill they think it is and far from the bill we have had before Congress the past 3 years, and until 5 days ago.

Mr. Chairman, if this bill could have been brought in here under the 5-minute rule for amendment it could have been easily amended in three or four highly important particulars, and made a bill that I could support much more heartily. At least, Members could have had the privilege of voting on the amendments. Now it is take it or leave it.

I am in favor of the principle of this legislation. I have believed for years it carried a basis for adequate, decent, old-age pensions in this country, without unduly burdening industry and commerce. I have insisted to everybody from Dr. Townsend down that they ought to give the legislation thorough consideration and allow it to be amended and made workable, but it has always been just in the position that it is in during this Congress. If a man suggested that it could be amended he was considered an enemy of the whole program, and it is at their demand that the bill is before the House today in a situation that prevents its amendment, no matter how beneficial or how necessary such amendments may be.

Even the sponsor of this new bill does not seem to know what is in it, as shown by him in answer to my statement this afternoon that the bill taxes wages. He said it does not. The House now knows that it does. Now, if the author does not know what is in the bill, who does? I know something because I have analyzed and studied all these bills from the first one.

This is the fifth Townsend bill which has been introduced in the House in the last 5 years. I shall insert here the number and date of the introduction of each bill: H. R. 3977, January 16, 1935; H. R. 7154, April 1, 1935; H. R. 4199, February 2, 1937; H. R. 2, January 3, 1939; and H. R. 6466, May 23, 1939—omitting H. R. 6378, withdrawn as defective.

The chief resemblance which the last bill bears to the first is the age limit of 60 years and the requirement that the pensioner shall expend the pension, a not very material requirement in view of the probable amount of the pension which would be realized by the bill. The attorney for the bill is quoted in the press as having said it would produce about $60 a month. Dr. Townsend is quoted as putting it at $50. In my judgment, $40 would be a very liberal estimate.

I believe, and I base the statement upon a considerable study and knowledge of the several bills, that could this bill be considered free from the prejudice surrounding the name of the Townsend plan, under a rule permitting amendment, it would receive a majority in the House.

The first bill introduced, H. R. 3977, provided a flat $200 per month pension, to be paid by National and State banks having membership in the Federal Insurance Deposit Corporation, the banks to be reimbursed by the Treasury out of the collection of a tax of 2 percent on the gross value of each business, commercial, or financial transaction in the United States. The pension was payable whether the tax was collected or not.

The pending bill levies a tax of one-half percent on the gross proceeds or gross revenue of producers, manufacturers, wholesalers, and jobbers and 2 percent upon retailers, trades, occupations, or callings not included in the one-half percent category, and on all personal services, and prorates the proceeds among the pensioners. No tax, no pension. This was a great change.

But a greater change is that the bill abandons the transaction tax of all prior bills for the gross proceeds or gross revenue tax.

There is no substantial difference between the gross proceeds or gross revenue tax in the pending bill and the gross income tax in H. R. 11, the Sheppard bill, which the Townsend movement opposed so bitterly in the election last year.

The transaction tax has from the start been the first article of faith in the Townsend plan. Dr. Townsend, the Townsend Weekly, and all Townsend leaders stressed the transaction tax as the very essence of the Townsend plan. It was the Townsend plan. In this bill the taxes are called "privilege taxes," based on gross proceeds.

If this fundamental change in the tax feature is satisfactory to the proponents of the pending bill, I do not see that

the supporters of the Sheppard bill, in which the tax is levied on gross income, have any serious quarrel with it, unless it would be with the reduction from 2 percent to one-half percent on producers, manufacturers, wholesalers, and jobbers, which will reduce the revenue to be derived from those major sources 75 percent. Certainly the opposition to the legislation can have little complaint against this change.

I desire briefly to call attention to three other material changes involved in the several bills which have been introduced in the House from time to time. The first and most important of these changes is with respect to the tax on wages. H. R. 3977, the first bill, exempted all personal services; H. R. 7154, the second bill, taxed all personal services; H. R. 4199, the third bill, exempted all personal services; H. R. 2, the fourth bill, exempted all personal services; H. R. 6466, the fifth bill, taxes all personal services.

On a separate vote this would again go out of this bill.

The second change is with respect to income deduction from pension. H. R. 7154 provided for the deduction of income from the pension. A person having an income of $2,400 per year would not be eligible for the pension, and his income below $2,400 per year would be deducted from the pension. In my judgment this was a wise provision.

Under the pending bill every person over 60 years of age is eligible for the pension, without regard to the value of his property or income. Such pensions will reduce the common level received by needy aged people. The limitation ought to be restored.

The third change is national-bank exemption. H. R. 6466, the pending bill, exempts national banks. They are not exempt in the other four bills. The singling out of national banks for exemption calls for very serious consideration. I ask the question, Who did this, and why?

I have no criticism of the making of these material changes, except the one singling out national banks for exemption, but I have a complaint against the fixed rule of the Townsend movement that once a bill is introduced it cannot be considered in the committee or the House for amendment; that it must be passed as is; and that any suggestion of amendment is construed as hostility to the whole plan. Every Member who has been here the past three Congresses will know what I mean. The sponsors exercise the right to change it at will and without notice.

During my study and consideration of these several bills it has been my view that they furnish the basis of a national pension system adequate to support the aged people of the country in decency and comfort, on a scale at least approximating pensions provided for those favored classes in the public service and in many large private industries. No one can contend that the present pension system is adequate or satisfactory.

The Social Security Act does not afford sufficient means for the lower income groups which come within the contributory titles, and there are large groups which do not come within those titles at all and are left to the old-age-assistance provisions of the act. It is my belief that this legislation properly amended would furnish additional revenue to build up a decent and adequate system of old-age pensions in this country, without unduly burdening industry and commerce, and the blame is not altogether on Congress that this work has not been undertaken in real earnest. The objections I have pointed out do not affect the principle of the legislation and are easily remediable by amendment. If the bill passes the House it will go to a body that never legislates under gag rules. The great changes made in this bill and which cannot be amended under the rule might furnish an alibi for voting against the bill, but I have a long-standing prejudice against such alibis.

Frankly, I should not like to see the minority outvote the majority on this bill. The Republican Party is entitled to no such break. Many people call the Townsend plan absurd, but it is not half as absurd as the idea being built up in Townsend circles that the Republican Party is its friend, or that the Townsend movement has anything whatever to look for in the election of a Republican President and a Republican Congress.

All of the old-age benefits being paid to the people of this country, all the unemployment benefits, all the social-security benefits of whatever nature, have been written upon the statute books by a Democratic Congress under a Democratic President. When they get better benefits they will get them from the same source.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON. Mr. Chairman, to me there is an element of unreality about the serious consideration being given today to an old-age pension scheme as fantastic as the pending proposal. This is the seventh draft of an old-age pension plan to be sponsored by Dr. Townsend and his followers, and while Dr. Townsend has written a letter to the gentleman from Florida [Mr. HENDRICKS], to the effect that this bill is the last word and all who do not accept it without the crossing of a "t" or the dotting of an "i" will not be considered loyal to the cause, Dr. Townsend frankly admitted before our committee that he had serious doubt about the constitutionality of a plan to impose a tax, earmark it for a separate trust fund, and automatically distribute it for the benefit of less than 10 percent of the people. Consequently, Dr. Townsend left our committee definitely under the impression that the purpose of the pending measure was largely to test congressional sentiment and that his real dependence was being placed in a constitutional amendment, the advocacy of which, of course, will enable his organization to carry on for a good many years to come. In view of the current rumors of large sums being collected by the Townsend organization from elderly persons who expect a liberal pension in return for their contribution, the committee requested Dr. Townsend to make to it a frank disclosure of his receipts and disbursements which he declined to do.

For the first time in my experience in the House and for the first time in my recollection of House proceedings, we are called upon to vote upon a measure that, so far as I can ascertain, does not have the approval of a single member of the committee that reported it to the House or a single member of the Rules Committee that gave a rule for its immediate consideration; to vote upon a plan for old-age pensions that has been pending before the House in one form or another for the past 4 years and before the Ways and Means Committee of the Seventy-sixth Congress for the past 3 months, yet there came to its support not a single representative of industry, of labor, of agriculture, or of any other group except members of the Townsend organization and a few Members of the Congress who in their political campaigns of last year promised to support such a pension scheme.

But for the very considerable number of old and needy people in the country for whom we all have the deepest sympathy and who should no longer be misled and deluded as to the practicality of this method of contributing to their welfare and happiness, such proceedings would be the acme of legislative horseplay.

And so it is we find ourselves today faced with the duty and responsibility of making a solemn and detailed explanation of the unsoundness and unworkability of a pension plan which should be self-evident from the mere statement of it. I will not take the time of this House with a discussion of the minor unworkable phases of this Utopian and fantastic scheme such as the proposal to give every person over 60 years of age a pension up to $200 per month (and ultimately according to Dr. Townsend up to $300 per month) regardless of their present personal income and regardless of the fact that the 1938 produced income in this country of approximately $64,000,000,000 divided among approximately 130,000,000 people would give an average income of less than $500 per person, with an average income on the farm of considerably less than that. I will not discuss our inability to compel a recipient of a pension to spend it all in the same month in which it is received and only for goods produced in the United States. I will not discuss the millions of tax

returns that would be required and the army of enforcement agents, although Dr. J. Frederic Dewhurst, an economist of the Twentieth Century Fund, who testified before our committee regarded that as a major difficulty. He said:

With approximately 10,000,000 enterprises and self-employed persons in the United States there would be about 10,000,000 monthly tax returns or about 120,000,000 annually in addition to about the same number of pension checks. It seems probable that an army of investigators, possibly as many as 200,000 or 300,000 would have to be added to the Federal pay roll in order to check up on the payment of taxes by a multitude of small concerns, and under H. R. 2, on the expenditure of pensions by recipients. * * *

A few years ago I attempted to obtain from certain tax experts estimates of what the administration of the Townsend plan, so-called, or Townsend bill, in its form at that time, would cost, and the best estimate I could get was that it would be something between $500,000,000 and a billion dollars a year really to enforce the bill as it was drawn up at that time.

After some 300,000 Government employees get their $200 per month and subsistence and travel allowance out of the proposed fund, we may wind up, if the prediction of economists of the affect upon business of so great an increase in the national tax burden be fulfilled, of having more beneficiaries of the Townsend scheme on the Federal pay rolls than we have pensioners.

It is taxes that hurt and give us pause and it is the taxes of the pending bill that I will discuss. However, before leaving the subject of administrative cost and difficulty, I feel I should call attention to the fact that H. R. 6466 that has been substituted for H. R. 2, since Dr. Dewhurst testified, increases rather than diminishes administrative difficulties. Take, for instance, the case of a farm wife who has a dozen eggs for sale. If she sells those eggs to a consumer in a nearby village she must report to the Government and pay a transaction or sales tax of 2 percent of the sales price of the eggs, but if she sells the same eggs to a merchant she would report and pay a sales tax of only one-half of 1 percent. The bookkeeping on the farm to keep these different types of transactions separate, the making of the required reports under heavy penalties, and the remittance at the required time of the sales taxes due the Government would, of course, be simpler than the task of the Treasury sleuth to ascertain when some farmer had reported a one-half of 1 percent sales tax when he should have reported a 2 percent sales tax.

As previously indicated, not a single witness representing labor, industry, or agriculture appeared in behalf of this bill, but numerous witnesses representing those groups, as well as the general public, appeared in opposition to it. For instance, the American Federation of Labor, speaking through Mr. Matthew Woll, stated its position thus:

I thought I had made that very clear in my original presentation, where we said, of course, we do not believe in any system that would give benefits to all people regardless of need, and the Townsend bill, of course, is predicated entirely upon right and not on the matter of need. There is no question about it, we are opposed to the Townsend bill and the principle underlying it.

In answer to the question—

And any economic system that would take purchasing power from one group, which is spending all the money it earns, and give it to another group, would not likely increase the purchasing power of the public generally, would it?"

Mr. Woll replied:

Nor would it be a sound economic system * * *. We realize that the wage-earning group, representing the great mass of our consumers, is the one ultimately to bear the burden of taxation, no matter what form it takes.

We have in this honorable body a large number of Members who loudly proclaim that they are the friends of labor. I say to them that no true friend of labor can vote to put a tax of this kind on the backs of those who earn their bread by the sweat of their brow.

We have in this House a very considerable group that loses no opportunity to express its grave concern over the plight of agriculture. Samuel Fraser, speaking for the Florida Citrus Producers' Trade Association, which constitutes 80 percent of the citrus industry of Florida, for the United Fresh Fruit and Vegetable Association, representing most of the fresh fruit and vegetable interests of California and Texas, for the National League of Wholesale Fresh Fruit Distributors and the International Apple Association, representing nearly every apple cooperative in the United States, said of the proposed tax on agriculture:

I think it would be ghastly.

When asked by the gentleman from Massachusetts, Representative McCORMACK, if he thought any man who represents a farming district would be voting for the best interests of the farmer if he voted for such a tax, Mr. Fraser replied:

No. To my mind, it is like a devastating funnel-shaped cyclone, moving across the land sucking up and destroying everything it touches and leaving ruin in its wake. It would pyramid all the costs on an industry which is in no condition to pay, say 20 percent of the consumers' dollar goes for food. Take the case of apples: In one transaction they might go through five hands, and instead of 2-percent you would have 10-percent tax before it got into the consumer's hands, or they may move through more hands but the effect is the same, the tax might reach 20 percent. * * * I cannot see anything but a ghastly fiasco if you start a transactions tax.

To the same effect was the testimony of Dr. John Lee Coulter who said:

Our farm population would be hit both ways, by higher prices for that which they had to buy and lower prices for that which they had to sell. * * * Not only would it add the 2 percent at each point where imposed, but it would become part of the cost at that point and then the new 2 percent would be imposed on that in turn, so that it would be cumulative and pyramided.

This would apparently gradually increase costs and in turn prices of commodities. But it would not add to the value or the price of farm products. The prices which the farmers would receive would not be directly affected and certainly not improved in level, but indirectly would be forced constantly lower and lower. * * * Whereas on the other side, the commodities which farmers must buy would cumulatively be priced higher and higher. So that the disadvantage of the agricultural population would become cumulatively greater and greater.

Any man who votes for a tax of this kind on agriculture is voting to sink, without a trace, not only the fresh-fruit and vegetable industry of this Nation but likewise agriculture in every phase thereof.

Before the days of influencing public opinion by means of the radio, those who knew their way around in politics counted heavily upon the good will of the small retail merchant in the towns and at the crossroads. Dr. David R. Craig, president of the American Retail Federation, speaking for its membership in 25 State-wide associations and 7 national retail trade associations, and likewise speaking for the American National Retail Jewelers Association, the Cooperative Food Distributors of America, Mail Order Association of America, National Association of Chain Drug Stores, National Retail Dry Goods Association, National Retail Furniture Association, and National Shoe Retailers Association—and those several organizations cover the distributors of what we eat and what we wear, the chairs in which we sit and the beds in which we sleep, to say nothing of what my lady wears by way of rings on her fingers and bells on her toes—told our committee that the American Retail Federation "wants to go on record as unanimously opposing the principle of the multiple sales tax as proposed by H. R. 2 and H. R. 11."

The proponents of the bills—

Said he—

claim that it would increase the velocity of the circulation of money and thus increase the rate of general business recovery; that it would increase purchasing power; and that it would increase employment. A realistic analysis, however, shows that none of the expected results can be hoped for, and, in addition, that the method of raising the pension money would produce exactly the opposite results.

Any scheme to speed up the circulation of money by taxation must take the money from those who spend it slowly, or not at all, and hand it to those who, by law or necessity, must spend it rapidly. In these plans, however, the multiple sales tax takes the money from those who already spend it as fast as they get it. The older people must spend it within the month, but the younger people from whom it would be taken would probably spend it within the week. * * * The Brookings Institution has estimated that even in 1929, almost three families out of four were unable to purchase food for an adequate diet. These groups are the ones on which the multiple sales tax would fall

most heavily. They cannot be accused of hoarding. The velocity of the circulation of money is not likely to be increased by this method.

The same conclusion comes from an analysis of the effect on purchasing power. To take money from those who have hardly enough and transfer it to the same kind of people simply because they are a little older is not a plan for increasing the sum total of purchasing power. Moreover, the impounding of tax receipts during the first 4 months under either the Hendricks or the Sheppard plan would deal an initial blow at purchasing power by taking a substantial portion of it out of circulation immediately.

He and numerous other witnesses whom I will not undertake to quote but whose testimony appears in full in the printed hearings, explain how the pyramiding of the multiple sales tax would put the independent merchant and the small distributor out of business and concentrate the distribution of food and clothing in the hands of a few powerful corporations. Certainly there must be a few friends of the retail merchant left in this body who would not wish to crush him and drive him into bankruptcy by a sales tax of this character.

Much reliance is placed by the proponents of this bill upon their theory that the requirement that the pension be spent the month in which it is received would produce such increased velocity of circulation of currency and such increased demand for goods and services that the national income would rapidly go up to the point where not only would no one complain of taxes but that all who are paying the taxes would clamor for bigger and better pensions in order that the taxpayer might thereby become more prosperous. It has been truly said that no idea is good unless it will work, and not a single economist appeared before our committee and stated that this new get-rich-quick scheme would work. On the contrary, numerous economists of both national and international reputation condemned it as being thoroughly unsound and impractical. It was condemned by Dr. Sumner H. Slichter, of Harvard University, who said the bill would have a deflationary effect. Said he:

But have you considered the curiosity, the oddity of the proposal that transactions will be stimulated by taxing? That is the essential argument behind the bill—people will spend money faster. Why? Because you tax them when they spend it. Does it make sense? Why should people rush into spending money faster if every time they do it they meet a tax?

It was condemned by Dr. Frank D. Graham, of Princeton, who said:

Obviously a tax on transactions is an unlikely method for increasing production and trade. The theory of the proponents of the bill must therefore be that the expenditure by the recipient of pensions, paid out of the proceeds of the tax, will stimulate production and trade more than the tax will retard them. This could be true only if the payers of the tax would have hoarded, that is, failed to spend either for consumption or investment, some part of the funds out of which the pensions are to be paid to persons under contract to disburse them in short order. * * * The payers of the tax are deprived of exactly the same amount of purchasing power as will accrue to the recipients of the pensions and the taxpayers will typically be the generality of citizens who are in the habit of spending their incomes as they receive them. The only exception will be certain wealthy citizens who may refrain from spending, or investing, their resources for more or less lengthy periods. These, however, are the very people who would find it easy to evade the tax, since they do not have to spend on consumption more than a small percentage of their income and can either refuse entirely to disburse the rest or may invest it but once, and thus reduce the rate of turn-over of their investments to zero.

The upshot is likely to be a reduction rather than an increase in the velocity of circulation of money and a consequent decline in production and trade. The tax would in any case be highly regressive in that it would fall with the greatest proportionate weight on people without property or savings, rather than on those who have resources under no necessity of being turned over, and therefore incapable of being brought within the scope of a transactions tax.

David Cushman Coyle, writer on economics and a consulting engineer, said of the theory that the proposed sales tax would increase prosperity:

I am unalterably opposed to both the Townsend and the general-welfare plans, because of the kind of taxation proposed in those plans. I believe that these tax plans, being of the nature of sales taxes, would depress business, lower the national income, and overcome any good effects that might flow from the old-age pension itself.

Dr. Paul Haensel, of Northwestern University, an economist of national reputation, said:

As a tax measure the transactions tax is not based on any reasonable or sound principle of taxation. It is all-embracing without discrimination, even more so than the gross-income tax. From the standpoint of the technique of collection, it is simply a mockery and an insult to the average American citizen who is expected to file sworn-to returns every month, even when he has to pay $1.01 only each time. This is the best way to make the country a nation of wholesale perjurers and chiselers and to create tremendous opposition. * * *

A ten-billion yearly levy on all economic transactions will require a tremendous redistribution of national income, particularly since the proceeds from it will go to a comparatively small group of citizens (old pensioners). Through this tax, which will be paid by the large body of all consumers, the consumption of some people (producers and earners) will be reduced very considerably.

What does it mean when pensioners receive $200 a month? It is asserted that this money will go to the support of somebody else. This is a fundamental mistake. The pensioners will buy food, clothing, shoes, toys for their grandchildren, etc., and this will almost immediately disappear in their consumption. After that is over, to pay the $200 pensions next month the Government must again take away the necessary funds from the younger working population. If I were the happy pensioner, I would wear a new overcoat every year, but others who contributed to my pension will have to reduce all their purchases to the same amount. Imagine that all pensions would have been paid in goods (at the choice of the pensioners). They would at first have been taken away from the producers, and there would have been that much less left to them and simply a redistribution of the national produce would have taken place. Money exchange does not alter the situation in the least degree; money that the Treasury will pay to the support of old people must be extracted from the rest of the population and nothing is added to the total amount of national income, on which only the whole population is living. There is no revolving fund. What old people will spend on buying commodities will be consumed in the form of raw materials, transportation, factory expenses, labor, etc., which constitute only the aggregate parts of the national income; nothing is added by buying and consuming by the pensioners themselves.

Prof. Paul Studenski, professor of economics at New York University, said:

Contrary to the impression given by the authors of these plans, their operation will not result in the creation of any new purchasing power. The plans would involve, in the main, merely a transfer of purchasing power from the producer groups to the aged nonproducing population. The transfer involving, as it does, between seven and nine billion dollars of purchasing power during the first year, or approximately 13 percent of our total national income, is colossal in character. It is difficult to gage the full extent of the repercussions in our economic system which such a huge, immediate, and continuous transfer of income from one group of our population to another would produce.

The proposed taxes on transactions or so-called gross income, despite their misleading low rate of 2 percent, if ever enacted, would prove to be the most burdensome taxes in the history of this country. The 2-percent tax under either plan, applicable as it would be to each successive turn-over in the production of goods, would make up a total burden of between 10 and 25 percent of the cost of the final product. It is obvious that industry will not be able to absorb such a burden and that the general level of prices would rise simultaneously with the imposition of the tax and commensurately with the rise in the cost of production. The rise in prices would be especially marked in the case of those goods which are the results of the efforts of many enterprises each of which handles the goods in a different stage or production, and where, consequently, the tax would be pyramided many times over. * * *

The taxes would destroy thousands of small enterprises which handle a product only in a single stage of its production, while sparing large integrated undertakings producing goods from the raw to the finished stage. The taxes would be shifted to the employees in the form of reductions in wages and a speeding up of work, with the result that the wage earners affected would shoulder a double burden, since they would not only be receiving fewer dollars in their wages but each dollar would have a reduced purchasing power. The burdens on the poor, other than the aged themselves, would be crushing. * * *

In my opinion, it is doubtful whether our economic system could withstand the severe shock which the imposition of the proposed taxes and the disbursement of the proposed benefits would inflict upon it.

Those excerpts from the testimony of outstanding economists should be sufficient to convince any reasonable man that the economic theory underlying the Townsend plan is absolutely unsound and untenable.

Heretofore I have referred to groups in the House definitely interested in labor, in agriculture, in industry, and the distributors of industry's products. There is another group on my side of the aisle of the House that takes pride in

upholding the President. It should be unnecessary for me to remind that group that the President has characterized the Townsend plan as a Utopian scheme and his Secretary of the Treasury expressed opposition to it during the hearings. That leaves us but one other group in the House, the group that is advocating and supporting this bill. I have endeavored to point out my firm conviction that a present jump in Federal taxes of 125 percent if we are to provide a $50 pension for those 60 years of age or older or 500 percent jump if the pension is to be the Townsend maximum of $200 per month will result in such economic dislocations it will injure the old as well as the young. But, assuming for the sake of argument, that the plan will help the aged, those who are supporting it have elected to help the members of the Townsend clubs in their districts at the expense of all others in their districts, have elected to aid approximately 8 percent of their constituents at the expense of the remaining 92 percent of their constituents. While that appears to be a strange and unusual choice to be made by one to whom has been delegated under our representative democracy the responsibility of representing all of the people in his district and not just 8 percent of them, far be it for me to impugn the motive of any Member who makes such a choice, since each Member of this House is the keeper of his own conscience. [Applause.]

Mr. TREADWAY. Mr. Chairman, I now yield to the gentleman from Michigan [Mr. MICHENER] such time as he desires.

Mr. MICHENER. Mr. Chairman, I am under no political obligation to vote for this bill, so far as Townsend organization support is concerned. In 1934 Mr. Bert H. Smith, the leading Townsend plan advocate and organizer in my congressional district, was a candidate for Congress against me on the Farm-Labor ticket, and the Townsend plan was the principal plank in his platform. In 1936 and 1938 I also had primary and election Townsend opposition; that is, I had the opposition of the Townsend national headquarters, the State headquarters, and club officials. On October 22, 1938, Mr. L. W. Jeffery, vice president of the Townsend organization, sent a communication to all Townsend clubs in my congressional district, in which he said, in part:

> We should not be concerned at this time as to how his opponent stands, whether he is for us or against us. The only issue that should interest the Townsend clubs in the second district is to defeat the incumbent.

The letter then endorsed my opponent.

I am sure, however, that many of the Townsendites with whom I am personally acquainted supported me.

Learning of the above communication, I gave the Townsend clubs in my district a written statement as to my position on the Townsend plan. That statement was, in part, as follows:

> (1) If returned to Congress I will do everything within my power to secure a hearing before the Ways and Means Committee on the Townsend plan.
>
> (2) I will do everything within my power to bring the plan up for consideration in the Congress so that debate may be had and a vote taken and all Members put on record.
>
> (3) I will not promise to vote for the Townsend plan without amendments.
>
> (4) I will give careful consideration to any amendments offered. I will vote for all amendments that I believe will be beneficial, and I shall support any bill resulting from this consideration that I believe will be of benefit to the country, and especially our elderly people.

I have not changed my position.

Complete hearings before the Committee on Ways and Means have been held. Dr. Townsend's organization was permitted to present any witnesses, make any statements, and file any documentary evidence desired. In fact, the Doctor stated to the committee and to his followers, through the Townsend Weekly, that he had received eminently fair treatment and that he had no complaint whatever to make.

My second promise was that I would do what I could to bring the plan before the Congress for debate and vote. I had in mind, of course, H. R. 2, which is the Townsend plan as generally accepted. The bill H. R. 6466, which we are now debating, is not the Townsend plan as the Townsendites throughout the country understand it. This bill is before the Congress under a "gag" rule; that is, we are permitted to talk about the bill for 4 hours, and at the conclusion of that time we are compelled to vote "yes" or "no" on the bill without the benefit of amending it in any particular whatsoever. This is sham and farce consideration, but is brought about because Dr. Townsend wanted it that way. I have consistently opposed such methods when practiced by the New Deal. My constituents, including the Townsend followers, are opposed to any system that permits the "brain trust," the President, Dr. Townsend, or anyone else to write "must" legislation, present it to the Congress, and compel the Congress to vote on it without an opportunity of changing and improving.

However, as stated by the gentleman from Florida, Congressman HENDRICKS, who introduced H. R. 6466, this method is pursued according to the doctor's instructions. The purpose is to prevent the Congress from having anything to say about the bill other than to approve or disapprove what the doctor demands. This means we are to be Dr. Townsend's "yes" men. Of course, I am opposed to any such autocratic procedure.

Now, understand me, Dr. Townsend asked the Rules Committee for this "gag" rule. He does not want any changes, even though they may be for the better, and even though he admits the bill is not perfect. These demands are reprehensible, and the committee can find no excuse in forcing this kind of a vote simply because the proponents demand it. I am opposed to any political strategy that violates fundamental legislative principles.

In this connection let us not forget that the hearings on the Townsend plan, which finds expression in H. R. 2, covered weeks. The testimony submitted to the committee has been printed and comprises a large volume. The Townsend clubs throughout the country have been advised as to the contents of H. R. 2, and expect a vote on that bill. However, on May 23 this new bill, H. R. 6466, by Dr. Townsend's direction, was introduced by the gentleman from Florida, Representative HENDRICKS, and the Ways and Means Committee, without any hearing whatever on this new bill, reported it to the House "without recommendation." That report should also have stated "without any consideration." The gist of the whole procedure is to give the good doctor his way, let him bring any kind of a bill he sees fit before the House, prevent the House from crossing a "t" or dotting an "i," and then compel the House to vote on the bill the doctor presents. Surely he has had his way and can make no complaint.

I said that H. R. 6466 is not the Townsend plan, and in order that I may be absolutely correct, I quote from the Townsend Weekly, which week after week carries this column:

> TOWNSEND PLAN IN CAPSULE FORM
>
> The Townsend plan will do three things:
>
> (1) Retire all citizens over 60 from gainful employment in private industry and hire them to be Government spending agents.
>
> (2) Levy a Federal tax of 2 percent on all monetary transactions throughout the Nation, collectible monthly.
>
> (3) Prorate this tax revenue among the spending agents with the stipulation it be spent within 30 days of receipt.
>
> The theory behind the plan is this:
>
> There are approximately 8,000,000 Americans past 60 who can qualify. It is estimated half of them are employed and will retire under the plan. Their jobs will thus be thrown open to younger workers, reducing unemployment rolls immediately by 4,000,000.

The bill the Townsendites want is H. R. 2, which carries the above provisions. This bill, H. R. 6466, which we are now considering, abandons the straight 2-percent transaction tax—the heart of the Townsend plan—and substitutes in lieu thereof a gross income or sales tax of one-half of 1 percent on the producer, and a like tax of one-half of 1 percent on the manufacturer, jobber, and certain other middlemen. The Townsend 2-percent transaction tax is then applied to all other transactions. It is stated that the one-half of 1 percent under this bill will apply to 30 percent of the taxable transactions in dollars, while the 2 percent will apply to 70 percent of the transactions in dollars. This, of course, will make the amount of money that can possibly be raised under this bill we are considering much less than under H. R. 2.

The advocates of the Townsend plan in my congressional district insist that it is not a pension plan, but that it is a national recovery program. It is called the General Welfare Act. The recipients under the plan are not called pensioners of the Government, but "authorized spending agents" on the part of the Government. The philosophy of the whole plan is that $200 a month paid to 8,000,000 or more old people and spent monthly will create purchasing power, make more business, put more people to work, and give employment to the unemployed and to the youth. The pamphlet, Townsend Plan—National Recovery Program, issued by the Townsend organization and which is sold to the followers for 25 cents per copy, on page 14 proclaims:

> It has been shown by statisticians that the spending of $2,000 to $2,500 annually in commercial production is required to make possible the permanent employment of one worker.

The Townsend plan will pay $2,400 a year to the old persons.

It has been insisted that any sum less than $200 a month would fail to bring recovery and provide employment. In the above publication it is stated further:

> A man on Government dole does not stimulate industry. The Townsend plan is not simply a pension proposal, as many uninformed people think. It is not a dole system. It is a program to increase buying power and a demand and market for the production of all industry in America. The market cannot be created by a dole system of $15, $30, or even $50 a month. But this market can be created by retiring our elders on a normal income of $200 a month.

No one knows exactly what this bill, H. R. 6466, will pay to the pensioner—pardon me, I mean the spender. Mr. Arthur L. Johnson, who drafted H. R. 4199, the Townsend plan in the last Congress, who came to Washington with and represented the Townsend organization for a long time, and who possibly knows as much about this plan as anyone, in addition to knowing something about taxes, says that after the payment of administrative expenses, the pension to be received by the old people will be "around $15 a month." Members of Congress have made other guesses. The highest guess I have heard comes from Dr. Townsend himself, who indicates that the bill will possibly pay $50 a month. There are no official estimates, because the Committee on Ways and Means has not given this bill any consideration. Dr. F. Frederick Dewhurst, of the Twentieth Century Fund, prepared an estimate of the average monthly pension that could be expected under H. R. 2, and that table, which was referred to in debate today by the gentleman from California [Mr. BUCK], a member of the Committee on Ways and Means, shows that the average monthly pension under H. R. 2 could be only $51 a month, allowing nothing for administrative expenses. Now, all concede that the administration of this act would be most expensive, and the $51 would be reduced materially. If these estimates are accurate, it would seem that there is much justification for Mr. Johnson's opinion that H. R. 6466 would pay around $15 a month to the pensioner.

I have called attention to the theory of the Townsend plan and the amount to be paid under this bill for the reason that the bill itself, if put into operation, could not possibly furnish the purchasing power Dr. Townsend claims is necessary to assist recovery, take care of unemployment, and the young people. Surely this is not the bill that the Townsend people want.

I have received hundreds of letters and telegrams from Townsend Club members in my district, and without exception these communications demand that I support the Townsend plan "without amendment." Many of them simply refer to H. R. 2. A typical letter comes from Mrs. W. H. Fugazzi, secretary Townsend Club No. 2, Jackson, Mich., in which she says in part:

> We do not want you to vote for the Townsend plan if it is amended, as you have stated you might do. We want it as it stands. If this bill is amended, it is no longer the Townsend plan. We want it in its present form without changes.

Now, of course, this letter had reference to H. R. 2, and is typical of all the others received. The bill H. R. 6466 is vitally different from H. R. 2, as I have heretofore pointed out.

The Townsendites in my district espoused the cause under the $200-a-month banner. They honestly and sincerely believe in the original Townsend plan, and many of them were loathe even to permit a modification of the bill to provide that whatever it yielded should be divided among the pensioners, but "not more than $200 per month" should be paid. Now, the doctor has stated that $200 per month is a "wisp of straw," the purpose of which is to keep up interest in the clubs. This statement was made at a meeting of certain Representatives in Congress who were trying to work out some possible plan to help the old people.

Again it is interesting to note that in the recent hearings before the Ways and Means Committee the doctor claimed that H. R. 2 in operation would shortly pay $200 a month, and that it would pay $300 a month at the end of 5 years. Of course, this is all inconsistent, but it is what the doctor said.

It is very fortunate for everyone that these hearings have been held and printed, and that this vote will be taken. I say this because there has been but one side of the Townsend plan presented to the people up to this time. Dr. Townsend testified that to date more than $3,000,000 has been collected by the Townsend organization from our elderly people for propaganda purposes. Emotional and sentimental speakers have been sent about the country to organize clubs and spread the Townsend gospel and collect the Townsend dimes. The Townsend Weekly and the Townsend literature carry the Townsend message day after day, and week after week, to these old people. Of course, in propaganda of this type the reader gets but one side of the question. If a jury in a lawsuit heard but one side of the case, there is no doubt about what the verdict would be, but when both sides of the case are heard, that is a different matter.

Not a single economist, businessman, representative of industry, labor, agriculture, Government, or finance appeared at the hearings in favor of the Townsend plan. Representatives of the Townsend headquarters and the Members of Congress supporting the plan were the only advocates, and none of them attempted to justify it constitutionally.

A reading of the testimony shows that most of the time of these witnesses was devoted to describing the economic condition of the country, especially of our elderly people, and lauding the objectives of any law that might help the old people. It is one thing to deplore conditions; it is another thing to find a remedy.

On the other hand, numerous economists, people familiar with finance, representatives of such a nonpartisan, patriotic group as the Brookings Institution, appeared in opposition to the Townsend theory. Of course, Dr. Townsend condemns all economists and all persons familiar with taxation and finance. He says that these people have been running the country for 150 years and now it is time to let the old folks, under his leadership, run it for a while. Mistakes have been made, but we have a pretty good country after all, and we do not want to do anything that is going to destroy it.

The Townsend clubs, through Townsend literature and speakers, have been led to believe that the only thing standing between them and the $200-a-month Townsend possibility is the opposition in Congress of "Wall Street," the "international bankers," and "big business." These are the bogymen about whom demagogues prate.

Now, let us consider the facts as we know them and as the printed record of the hearings and this debate show them to be. First, just who is advocating this bill? I have already answered this question so far as the hearings are concerned. There are, however, thousands of conscientious, sincere, earnest, and trusting elderly people throughout the length and the breadth of the land to whom this proposition has been thoroughly sold. These people are acting in good faith; they look upon Dr. Townsend as a Moses who will lead them into green pastures. When I receive letters condemning me severely for not doing just what Dr. Townsend wants at all times, there is no feeling of resentment on my part. There is, however, a feeling of genuine responsibility. I have heard and studied all sides of this perplexing question, and I naturally give consideration to various representatives of groups

of our people who are sufficiently interested to give Congress the benefit of their study, investigation, and conclusions—groups without selfish interests.

For instance, I call as witness No. 1 William Green, president of the American Federation of Labor, and representing millions of American workingmen, who, alarmed at what the Townsend plan would do to labor, on May 29, 1939, addressed a letter to the Ways and Means Committee, reiterating the position against the Townsend plan taken by the federation at the hearings on H. R. 2. Among other things, Mr. Green says:

We are convinced that to pretend to offer up to a maximum of $200 a month to all old persons, regardless of need, as is done by H. R. 6466, is both dishonest and undesirable. It is dishonest because no such large sums could be paid to individual annuitants even with the burdensome taxes proposed. The amounts actually paid would be very much under the maximum and would fluctuate from month to month so that no real security would be achieved for those who really need it while others would receive sums entirely unnecessary in their economy.

It is undesirable because it taxes wages and gross incomes with practically no regard for ability to pay and because it offers tremendous incentive to integration of producing and marketing units at the expense of small independent business. The independent retailer, the consumer, and the wage earner will be the losers under this program. A gross income tax of a flat percent cannot be other than regressive in effect. It is a thoroughly bad form of taxation.

The incomes of most wage-earning families are too small to justify this 2-percent income tax designed to furnish pensions for old persons regardless of need. The wage earners spend now nearly every cent of their wages. No increase in national purchasing power can be achieved by taking money from them to give to another part of the population.

The American Federation of Labor believes in enlarged social security for the Nation, but achieved by reasonable methods. It condemns H. R. 2 and even more H. R. 6466 as wholly unreasonable devices and as unable to fulfill the implied extravagant promise of large pensions on the basis of which they make their appeal.

Surely William Green and the American Federation of Labor do not represent Wall Street or the international bankers.

As witness No. 2 I call Edward A. O'Neal, president of the American Farm Bureau Federation, representing hundreds of thousands of farmers throughout the country, who, coming to the aid of agriculture, in a letter to the committee dated May 29, 1939, said.

It would be fiscal suicide for the Nation to undertake to pay old-age pensions on the scale provided in H. R. 6466.

Transferring wealth from 92,000,000 consumers to 8,000,000 consumers would decrease rather than increase the Nation's purchasing power. Such a transfer of wealth would disrupt our whole economic system. It would work particular hardship upon agriculture.

Every time a commodity is sold, every time it is transported commercially, every time a wage or salary payment is made, every time an income payment is received a tax would be levied on the total gross amount of the sale, wage payment, or income payment, with no deduction for losses, expenses, or costs of any kind.

Again I say that the American Farm Bureau Federation is certainly not composed of economic royalists or representatives of the international bankers.

As the next witness I call Fred Brenckman, representative of the National Grange, of which Mr. L. J. Taber, of Ohio, is national master, and which organization has a dues-paying membership of 800,000, who, disturbed as to what might happen if this bill should pass, in a letter to the Ways and Means Committee dated May 29, 1939, protesting against H. R. 6466 and other Townsend bills, said in part:

Every man who has social brains and the heart to feel for the wants of the old, the infirm, and the distressed is naturally willing that everything possible should be done to help these members of the human family. However, there is one point that must be kept firmly in mind. It is this: There can be no such thing as personal or individual security that is not based on national security. Any plan that would wreck the United States Government would surely leave each one of us stranded individually. That the Townsend plan would wreck the Government, if placed in operation, cannot be denied by anyone who will think the matter through and who is willing to look facts in the face. Among other things, it violates that sound principle of legislation which should always be kept in mind, namely, the greatest good for the greatest number. Placing our population at 130,000,000, it would tax 120,000,000 people to the point of extinction to give a joy ride to the other 10,000,000 people over 60 years of age.

When a responsible organization like the National Grange feels called upon to fight the Townsend plan because it would "wreck the Government," in addition to the active opposition of these other groups, surely no Member of Congress is justified in voting for such a doubtful measure without an opportunity to thoroughly consider and amend. Again may I inquire as to whether or not this is Wall Street opposing?

Another witness, on May 29, 1939, L. G. Luhrsen, executive secretary of the Railway Labor Executives Association, addressed a letter to the Ways and Means Committee in which it is stated that the association is "definitely opposed to this bill." The letter further states:

We understand that this bill is to be considered on Wednesday, May 31, and is not subject to amendments. We, therefore, pray that this bill (H. R. 6466) will be defeated since it is discriminatory in a far-reaching way with respect to the railroads and approximately 1,000,000 railroad employees.

Possibly all do not realize just what organizations are included in the Railway Labor Executives Association. The letterhead furnishes the information and is as follows:

Affiliated organizations: Brotherhood of Locomotive Engineers; Brotherhood of Locomotive Firemen and Enginemen; Order of Railway Conductors of America; Switchmen's Union of North America; Order of Railroad Telegraphers; American Train Dispatchers' Association; Railway Employees' Department, A. F. of L.; International Association of Machinists; International Brotherhood of Boilermakers, Iron Ship Builders and Helpers of America; International Brotherhood of Blacksmiths, Drop Forgers, and Helpers; Sheet Metal Workers' International Association; International Brotherhood of Electrical Workers; Brotherhood of Railway Carmen of America; International Brotherhood of Firemen and Oilers; Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees; Brotherhood of Maintenance of Way Employees; Brotherhood of Railroad Signalmen of America; National Organization Masters, Mates, and Pilots of America; National Marine Engineers' Beneficial Association; International Longshoremen's Association; Order of Sleeping Car Conductors.

This group includes representatives of the 21 standard railway labor brotherhoods and unions. I have thousands of railroad men as constituents who are members of and thoroughly believe in the integrity of these railroad brotherhoods and unions, and no one familiar with the facts would even suggest that these organizations in any way reflect Wall Street or interests detrimental to the common man and wage earner. They are against the Townsend plan because they believe it would injure them.

If time permitted, I could continue indefinitely repeating testimony from those who are vitally interested and who should know and who agree with these representatives of the farmer, laborer, consumer, and others that the Townsend plan if put into effect would not only demoralize industry but might wreck the Government itself.

The letters from these organizations to which I have just referred are accompanied by analyses upon which the conclusions stated are based. They are too long to here repeat. However, they will be found included in the argument of the gentleman from North Carolina [Mr. DOUGHTON], chairman of the Ways and Means Committee, which will be printed in today's CONGRESSIONAL RECORD.

Townsend speakers and literature have time and again stated that the Townsend plan will cost nobody anything, that it is self-financing, pays its own way, and therefore cannot be other than beneficial to the country as a whole. They say, "Try it, and if it doesn't work, repeal it." It seems unthinkable that such statements should be made. An overdose of taxation may kill the taxpayer. Repeal would come too late.

Every economist who appeared before the Ways and Means Committee testified that the Townsend plan would cause a rise in prices as a result of the imposition of this pyramiding transaction tax. The amount of the increase would be somewhere between 5 and 25 percent, according to the number of taxable transactions from the beginning to the final sale of the commodity to the consumer. Remember that all these taxes are ultimately paid by the consumer. It does not seem reasonable to me that in these days of stress and unemployment the Congress should be asked to pass a bill that will increase the cost of living by possibly 25 percent, with such slight possibility from a sound standpoint of general benefit to the public. And mark well, the tax is to be levied not according to ability to pay

but on the necessities of life, to be taken out of the meager income of those who must eat, have shelter, and clothing.

I have received numerous letters from merchants, especially in the smaller towns and villages, insisting that the Townsend plan would bring money to the community and indirectly help these independent retail dealers. The effect the Townsend plan will have on the small independent dealer will be just the opposite if we are to believe Dr. Townsend. I quote from the hearings at page 622:

Mr. McCormack. All right. I am trying to get your state of mind. When you drive out the middleman and bring the producer and consumer closer together the middleman is closed out, isn't he?

Dr. Townsend. Sometimes; yes.

Mr. McCormack. And the middleman, on the average, is the small and independent businessman. That is true, isn't it?

Dr. Townsend. That is right.

Mr. McCormack. And you can't do that without creating another social problem, because that affects millions of people now employed by the middleman.

Dr. Townsend. Let us create all the jobs we possibly can.

Mr. McCormack. In other words, as a result of this bill the middleman will be closed out * * *.

Dr. Townsend. That is going to happen to him anyway under the present competition.

Mr. McCormack. In other words, he faces extinction?

Dr. Townsend. Yes.

Mr. McCormack. Don't you think we should try and do something to preserve the man?

Dr. Townsend. No; I don't. I think he is a useless appendage in the profit scheme * * *.

Shades of other days! Are we to follow Dr. Townsend, abandon our traditional local dealer, and become bootlickers of centralized trusts and monopolies?

Dr. Townsend later reiterated this same belief in other parts of his testimony. I agree with the doctor that if the Townsend 2-percent transaction plan ever becomes a law, the large chain store and the mail-order house can manufacture its own commodity, sell direct to the consumer, and in this way eliminate all the way from 4 to 10 transactions at 2 percent tax each. It does not require much intellect to conclude with the doctor that this would be the end of the small independent retail dealer. These small independent dealers are the backbone of many communities in the congressional district which I represent, and I shall not knowingly be a party to passing any legislation that is going to put them and their employees out of business, out of employment, and possibly on relief or on W. P. A., unless, perchance, they should be above the age of 60 years and entitled to the Townsend gratuity.

President Roosevelt and Dr. Townsend are in agreement in policy in one particular at least; that is, they both believe in spending other people's money. Under H. R. 6466 these old people are going to get anywhere from $15 to $50 a month, yet they are to be penalized if they do not spend it all within 30 days. There might be some reason for requiring this spending in connection with the Townsend $200-a-month plan, but if the recipients are to get the amount provided for in this bill, then this spending provision is ridiculous. It is just some more window dressing to make believe that this is the Townsend plan as the old folks know it.

Dr. Townsend believes in the principle of enforced spending and has had that principle embodied in this bill. I quote from his testimony as shown on page 652 of the hearings:

Mr. McCormack. Do you believe in the principle of enforced spending?

Dr. Townsend. For this coming generation; yes.

Mr. McCormack. Do you not believe in saving, then?

Dr. Townsend. No.

Here is another example of where the country is asked to spend itself into prosperity. The word "thrift" seems to be foreign to present-day thinking. The country cannot any more spend itself into prosperity than an intoxicated man can drink himself sober, the New Deal and Dr. Townsend to the contrary notwithstanding.

One of the greatest deterrents to recovery is excessive taxation. The chairman of the committee was right when he said that the people of the country are already tax conscious, and that if the Townsend plan ever became effective they would be taxed unconscious. The homeowners, the farmers, the people who pay rent—in short, all the people who live—are at this moment finding it almost impossible to meet the demands of their Government in tax money. Yet the Townsend theory is to make people prosperous by taking away from them more of their earnings in taxes. We cannot tax ourselves into prosperity any more than we can borrow ourselves out of debt. Yet this is the largest tax bill ever offered to the Congress. If the Townsend $200-a-month-pension plan were adopted, and 8,000,000 people in the country took the pension, it would add $19,200,000,000 to the Federal tax roll. If 10,000,000 old people took the pension, it would add $24,000,000,000 to the tax roll. This would mean $706,401,271 additional taxes to the State of Michigan, if 8,000,000 took the pension, or $883,037,460 if 10,000,000 took the pension. Now, as a matter of fact, there are approximately 12,000,000 people in the country above the age of 60, and, if I read human nature aright, most of them would sign up to get back a part of this tax money. Putting it another way, the statisticians and tax experts in the Committee on Ways and Means advise that the Townsend plan would impose an average tax burden upon every man, woman, and child in the United States, in addition to all other taxes now paid, of $185 per year, or more than one-third of our present per capita income of $547.

The bills H. R. 4199, H. R. 2, and H. R. 6466 are all clearly unconstitutional. Time prevents a legal argument. However, every Member of Congress recognizes the unconstitutional features. In fact, in explaining the bill, the gentleman from Florida [Mr. Hendricks], its sponsor, stated that "it has been made as nearly constitutional as possible." No one favoring the bill has argued its constitutionality. In fact, Dr. Townsend stated before the Ways and Means Committee that he was going to ask for a constitutional amendment. It has been stated here in debate that leaders in the Townsend organization have told Members of Congress that they did not "expect or want this bill to pass," because they were going to start agitation next for a constitutional amendment. Insincerity of this type is much to be deplored. A constitutional amendment would require a two-thirds vote of both the House and the Senate. It would then require ratification by three-fourths of the States of the Union, unless submitted by the new method employed when the eighteenth amendment was repealed. If that method were pursued in this case, it might be possible to have action taken by all the States within a year. However, in my judgment, there is no possibility of two-thirds of the House and Senate submitting or the States ratifying a Townsend constitutional amendment. Further, if a constitutional amendment is required—and the leaders of the Townsend movement know this—why do they continue to agitate the people and keep the clubs operating, rather than proceeding to the heart of the thing at once?

When the roll is called today there will not be over 100 votes for the Townsend plan. If we could have a secret vote there would not be 5 votes in the House for the plan. This is bound to be disappointing to the old folks back home, who have been told otherwise. I do not quarrel with the Members of Congress who, without proper information, made promises to vote for this plan. There is no excuse, however, for continuing a course which is wrong after one has the facts.

The old people are at this time receiving some consideration under the Social Security Act. If this bill, H. R. 6466, were enacted into law it would repeal that part of the Social Security Act now benefiting, even though in a small degree, the elderly people of our country. Suit would undoubtedly be brought in court at once to test the constitutionality of this law, and it would take at least a year to reach a conclusion. In the meantime, the social-security features would be repealed, and these old people who are now receiving pension would be out entirely.

The old people back in my district who are watching, waiting, praying, and expecting this Townsend pension do not know as much about this constitutional matter as Dr. Townsend and the Townsend leaders do. Club officers and speakers talk only about the benefits to be derived from the pension. They stimulate the hopes and bolster the beliefs of their adherents. Possibly they do not know the whole truth. However, there is not a Member of the House or a leader in the

Townsend movement, including Dr. Townsend, who has any idea that the Townsend plan could possibly pass this Congress.

This is not true of the old folks back home who are keeping the Townsend fires burning and paying for the propaganda that keeps the movement alive. There are hundreds of members of Townsend Clubs in my district who will be greatly disappointed when the roll is called on this bill. They have been led to believe, and do believe, that this bill will very likely pass this Congress. Some of them have made their plans along this line. Hundreds of them have sent me letters and telegrams within the last 24 hours urging me to vote for the Townsend bill because they believe that one vote might be the deciding factor. None of these telegrams from my district cost less than 50 cents, and it is distressing to receive a telegram from some old person whom I know is getting along with the bare necessities of life in order to follow out the instructions which the clubs received from the Chicago headquarters to wire or write their Congressman at once.

I have talked with many Members of the House about the necessity for greater consideration for our elderly people. The present Social Security Act is entirely inadequate, and I shall vote and work for any legislation that will give proper pension and consideration to our respected senior citizens; but I will not be a party to hoodwinking them, to robbing them of their nickels and dimes, to making them believe that they are just about to get something that every informed person knows they are not going to get. Understand me, I do not condemn all of those who advocate $200 a month for all our citizens above the age of 60 years, regardless of whether or not these people need the money. If these advocates are sincere, their judgment is entitled to respect. On the other hand, I do condemn anyone who preaches a philosophy to these distressed old people which he himself knows is impossible, not sound, and cannot be put into effect under the Constitution.

I have been in Congress for some time. I have undoubtedly made many mistakes. Some of my votes have probably been wrong, but all of these votes have been the expression of my best judgment with the information at hand at the time the vote was cast. Following this rule, I shall be constrained to vote against this bill, and I feel confident that time will vindicate not only the sincerity and soundness but also the humanity of my vote. For 6 long years many old people have been expecting the pot of gold at the end of the rainbow. It is time they should know the truth. If every Member's vote is dictated by his conscience, they will know the truth.

Mr. TREADWAY. Mr. Chairman, I yield 6 minutes to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Chairman, in 1935 this Townsend plan was a burning issue. I am sure that the fires have somewhat abated since then. I took the floor for about an hour on January 8, 1936, in opposition to the proposition and invited opposition to my viewpoint regarding it. I have not had to change my mind since. It is still a fallacy. Very few speeches have been made on the floor either for or against the Townsend plan. You would have little difficulty in collecting them. Some of you enthusiastic Townsendites may now be greeted by certain of your friends in this way—"I don't feel like myself today." "Congratulations," you might retort.

Surely some of our friends have not felt right today, and are really on the spot as has been stated. I am not so blind that I cannot see that this vote is for purely political purposes.

It is not because you want the old people to have their day in court; oh, no. We are not deaf, and we have recently heard frequently of the plan of the majority party to put some Members on the spot, especially those Republicans from New England. Put me on the spot as often as you like. I have been for a long time definitely located. I gave this scheme much attention and study when it was first presented. I have been telling my people of the fallacy of the thing, and I really think that the argument I made in 1936 and circulated prevented the snowball from rolling up in my district. Why do you not explain to these people in your districts the impossibilities of their realization of such an economically fallacious proposition? They have enthusiastic organizers. When 25 members of the Ways and Means Committee listen for some 4 months to testimony and can see nothing to recommend it, I should feel decidedly queer to vote for a measure with such a complete official endorsement.

Also, the Rules Committee seems unanimously against it. Oh, no, the majority merely wishes to embarrass our friends who have flirted with the plan and obligated themselves so that they feel they must conscientiously go through with it, having accepted the endorsement. What an unfortunate position. I asked in 1936, and I now repeat, "Under section 9, would not the stock market be forced to close down?" No doubt some of you want it closed down. No civilized nation could proceed without the peoples' market place. Under section 9 many classes of the people would not be able to continue in business. It is suggested that the man who does not need a pension would not take it. Of course, he would do so. I do not subscribe to this doctrine "Pension by right." I want to give a liberal pension to all those who really need one. But think of the W. P. A. neighbor with children to support who, just because I am over 60, must contribute to my support and pleasure in order that I may go to sunny California or bask on the sands of Florida. There is something about this nearly unanimous support from Florida and California that irks me a little. I do not wish my poorer and perhaps less fortunate neighbors to be taxed for my benefit, just because I had reached the age of 60. I fear they would have little affection left for me.

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

Mr. GIFFORD. Always.

Mr. SHEPPARD. Will the gentleman kindly state to the Members of the House what particular part of the great State of California there is that irks him?

Mr. GIFFORD. Oh, I said we wanted to get this pension that we might lie down in ease under the sunny skies of California. I might like to be lazy like some other people.

Mr. SHEPPARD. That would not irk the gentleman, would it?

Mr. GIFFORD. I do not know that the gentleman grasps the meaning of the word "irk." Just what is the gentleman's understanding of the word "irk"?

Mr. SHEPPARD. I think under the circumstances I do understand it.

Mr. GIFFORD. It would not be irksome to some, but I think it would be to me to live even in California and not be allowed to work. [Laughter.] As long as I can I want to work. I do not want my poorer neighbors to support me. You Democrats asserted that you believed in having taxes paid by those who are able to pay. Under this you wring taxes from people who are not able to pay. This vote is just a political "gag" to get many Members on the spot. Massachusetts will probably be heard from later, by the gentleman from Boston [Mr. MCCORMACK]. He may ridicule the fact that the Republicans promised the Townsendites they would do everything to bring this measure on to the floor for a vote. They were quite honest in this promise. But when that plank was laid before the convention in Massachusetts I immediately left the convention and went off by myself, because I could not possibly agree even to that. [Applause.] How could I agree to bring a matter to the floor and then strongly oppose it? How could the Ways and Means Committee do this thing? I cannot approve of it. I felt it my duty to leave that convention. But the Republicans were sincere in their promise to help bring the matter to a vote and they have done their duty. It is quite possible that I took the wrong attitude in the matter. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 3 minutes to the gentleman from Ohio [Mr. BENDER].

Mr. BENDER. Mr. Chairman, I am glad to follow my good friend the distinguished gentleman from Massachusetts [Mr. GIFFORD], who referred to the burning fires of some years ago and said that the fires had burned out. I do not

know anything about that, but I do know the condition that our old people are facing in Ohio. I do know the condition that our people generally find themselves in. That is what concerns me. It is stated by so many people that this bill does not meet the situation. That may be true. This measure is presented to us in a form that we cannot possibly amend. If it goes to the Senate I am sure they will want to make corrections over there.

When an individual says he is for a $60 a month pension, and at the same time says he cannot vote for this measure he is not being very consistent. The most optimistic view is that this bill will provide a maximum pension of $57 a month.

There is nothing inconsistent in a Republican voting for a measure like this, as this measure is not raising expenditures or raising money by placing a burden on the shoulders of this generation and the coming generations by subterfuge. This is a pay-as-you-go proposition. If you vote on every other proposition on a pay-as-you-go basis, I am sure we will have more intelligent voting in this House.

I was a member of a legislative body for 10 years before I came here. So many times members would get up and say, "I am for the idea back of this bill, but this is not the right bill." I am here to vote for any bill that will provide an adequate pension for the aged of our State and country. I am for any bill that will provide decent living conditions for the aged of the country.

You ladies and gentlemen who are for another bill, bring that bill in tomorrow, and we will vote for it. This is the only bill that we have a chance to vote for today, so I am going to vote for it. I will vote for any reasonable bill that you bring forward, but bring in your bill and let us see what your alternative is. You know, you can easily kill a proposition by laughing at it and ridiculing it. But our old people are not getting any benefits from this Congress by being ridiculed. I am not saying that this is the right bill. This is the only way that has been offered thus far. This is the first opportunity I have had to vote for an old-age pension. I do not care what the name of that proposition is. I do not care under what name you bring it in, but I say we owe it to our constituents to bring out a measure which will give them the relief which they so sorely need.

In the many years before the depression the aged men and women of our Nation were not clamoring for assistance. Industry was not turning away its workers when they reached the age of 45. Sons and daughters who were gainfully employed were taking care of their fathers and mothers. Factories were giving their employees generous pensions when they reached the age of retirement.

That picture has been completely altered in the Roosevelt era. Our old folks today are set adrift, all too frequently without resources of their own. They are cast off by industry not because of vindictiveness but because industry under the New Deal is striving desperately to keep its own head above water.

The desperate position in which our aged citizens find themselves today is a perfect reflection of our deepening economic crisis. I am convinced that our national predicament will grow steadily worse until we shall change the entire direction of our Federal policies.

Meanwhile, it is my earnest conviction that this proposal offers hope for a temporary revival of national spending power. I am not certain that the method prescribed by the proposed bill will yield funds sufficient to finance the pension plan. I am not certain that the bill in its present form will operate smoothly in its essential features.

But I am convinced that it is necessary for the people of our country to take care of the old men and women who are the fathers and mothers of our land. We owe them kindliness, not harshness. We owe them reverence, not scorn.

The proponents themselves concede that their program is experimental. If it works the Nation's economic distress may be alleviated. If it fails we shall discover that failure speedily, and we shall not hesitate to correct it. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. WHITE].

Mr. WHITE of Ohio. Mr. Chairman, I believe that present pensions fall short of real needs and I favor adequate provisions for the aged and the crippled. However, the consideration of H. R. 6466 today is a snare and a delusion. This proposal is no more like H. R. 2 or the pension ideas that thousands of people have been advocating than the man in the moon.

There have been no hearings on this bill. No amendments are permitted. In this form it is unconstitutional. It is not even presented for serious consideration and adoption. Very obviously the bringing of this bill onto the floor in the present manner is an insincere movement on the part of some of the New Deal bosses in which they make a hollow mockery of the hopes and aspirations of tens of thousands of old people.

It is a slippery piece of business, both false and futile. I will not be a party to this misrepresentation and manipulation. My vote will be cast "No." [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from South Dakota [Mr. MUNDT].

Mr. MUNDT. Mr. Chairman and my colleagues, I have listened attentively to the entire debate today on this matter of old-age pensions, and after over 4 hours of it, which I have tried to weigh and evaluate to the best of my ability, there are two facts which stand out of the whole situation like skyscrapers on a desert. The first fact which commands special attention, in my opinion, is the un-American "gag" rule under which the New Deal majority of the Rules Committee insisted this bill be considered; and the second fact is that in large part the most important issues involved in this legislation have been the least discussed in the majority of speeches heard here today.

In the first place, let me discuss briefly this "gag" rule barring all constructive amendments and making a hollow mockery out of the business of representative government. Rumors around the halls and in the cloak rooms to the effect that the New Deal high command was asking for a closed rule preventing amendments and corrections of certain obviously hastily written sections of this bill in order that the whole pay-as-you-go pension program could be the more easily killed took on the appearance of fact today when we were denied the privilege to consider this important legislation under an open rule.

I resent the fact that again today, as on several previous occasions in this session of Congress, the New Dealers who dominate the Rules Committee with a top-heavy majority and a partisan purpose have sought to "gag" the House, to deny us the opportunity to exercise our rights as legislators, to insult in this instance the integrity of millions of our aged citizens who are sincerely working for the passage of an honest pension bill, and to attempt to condemn this type of legislation to an early death by denying Representatives elected to legislate even the elemental right to propose amendments or perfecting supplementary clauses to this bill.

I have always held that the whole system of old-age pensions in America is important enough to deserve a full and fair hearing on the floor of the House and I deplore the fact that now when we finally have the matter before us for consideration a few men in high places in the Democratic Party can still deprive us of utilizing these hearings for adding improvements and clarifications to the bill now before us. Unfortunately, therefore, even now when the pay-as-you-go system of old-age pensions has its long-awaited day in court, it is disappointing to witness the court leaders restricting our action to a specified phraseology for the sly purpose, as is known to every man in this House, of dividing the friends of honest pensions and multiplying our enemies.

THE GAGSTERS COMPLICATE THE ISSUE

We are consequently confronted with but a single alternative today—we must vote "yes" for this bill as it is with the hope that if it reaches the Senate, that body, untrammeled

by "gag" rule domination, will insert and add certain needed corrections and amendments which will increase the equity with which this bill would operate, or else we must vote "no" and condemn to defeat for this session not only the hope of a respectable pay-as-you-go pension program but also any hope to free this country from the patent abuses and gross injustices of the present Social Security Act insofar as it pertains to old-age pensions. So our choice is complicated by these "gagsters." It would be bad enough to be confined to voting for or against a bill which the "gagsters" have removed from our customary powers of corrective amendments, but in this case our decision is complicated and the issue confused by the fact that we must choose between this bill as presently drawn and the Social Security Act as presently operating.

Apparently America as a whole desires some type of national old-age pension program. By our vote on this measure each of us is faced with the opportunity of making our influence felt in favor of one type of pension program or the other. Mark you, there is no way for any of you to vote on this bill to express disapproval of old-age pensions as such—this decision is simply between the present social-security program of old-age benefits, with its eventual trust fund of over $40,000,000,000, and the bill before us, with its specified tax for pensions to be paid on a pay-as-you-go basis. In this vote you must cast your lot with one pension program or the other or sit with your hand over your mouth. A vote for H. R. 6466 is also a vote to repeal the old-age features of the Social Security Act. A vote against H. R. 6466 is a vote to continue the social-security set-up as is. It has become a matter of take it or leave it with the boys in the saddle cracking the whip, barring amendments, limiting debate, and giving us only this one or the other option as we witness this altogether too realistic preview of what democracy can actually dwindle down to when we permit elements of dictatorial technique to dilute the tonic of self-government.

H. R. 6466 OR A TRIUMVIRATE OF TAMPERINGS

For me it is easy to decide which course I prefer to see America follow. With a present national debt of over $40,000,000,000, it impresses me as a fatal rendezvous with bankruptcy itself to continue this country on the program now called for under the Social Security Act as presently operating with its predicted trust fund of $47,000,000,000.

Not only that, but rumors were started on the floor today of impending changes to be proposed by the Ways and Means Committee which would defer increasing the payroll taxes upon which the trust fund feeds, move up the time for starting the pension payments, and increase the benefits of the act in an Alladin-lamp array of suggestions which represent a triumvirate of tamperings which any schoolboy realizes means an even further unbalancing of our National Budget and a still greater national debt. It is one more example of the New Deal's altruistic axiom of robbing the baby's bank to pay for his father's holiday and I am therefore glad that H. R. 6466 which is before us has the courage and the clear sightedness, whatever else may need amending in the bill, to call for the forthright repeal of the old-age features of the Social Security Act. For me, the matter-of-fact and Nation-serving provisions of sections 18 and 19 of H. R. 6466, repealing as they do the most expensive features of the Social Security Act, make it clear which way I should vote to best serve the interests of both constituents and country in this important decision.

I have given more time and study to the problem of old-age pensions than to any other subject since I have been in Congress. I have attended the committee hearings, read the reports, participated in discussion meetings, and sought information wherever I could find it on this subject. I think I came to this study with an open mind and I know that I came to Congress with no pledge of any kind to any group or individual to either support or oppose any specific type or kind of pension program.

Together with most of you, I am sure, I came here ready to be convinced whether the present Social Security Act or some new type of pension program would best serve both the oldsters of America and the future of our Nation. For that reason I have done all within my power to help get this legislation out on the floor for what I hoped might be a full and open discussion here in the House and for that reason I am, of course, doubly disappointed that to get the bill out of committee it was necessary to pay the price of submitting to a gag rule which in the mind of the majority party of this body will make it just a jack-in-the-box to pop out in the open for a few hours' discussion and then be crammed back again until another political oracle gets another sign from his messiah that it is time to play politics with pensions again.

TWO PENSION PROGRAMS CONTRASTED

Now, in the time remaining, let me discuss with you the second fact which has impressed me singularly in today's debating—the fact that the biggest issue before us has received the slightest attention. As I see it, colleagues, our decision today is to choose between two different methods of trying to develop a Nation-wide program of the greatest usefulness. Neither name-calling, flights of fancy, nor hot tempers will aid us in this decision. The one method is our present Social Security Act, which I indict on several grounds. In the first place, it threatens our very national solvency itself by virtue of the fact it calls for a stupendous trust fund which thus far, at least, has become more of a slush fund for New Deal extravagances than a fund held in trust for eventual pensioners; in the second place, I indict the present program because while its pay-roll taxes are passed along to all consumers and its burdens are therefore universally shared, it restricts most of its benefits to certain groups and classes employed in large groups and entirely leaves out in the cold about 90 percent of the people of my State, for example, where farming and private employment predominate; in the third place, because of the varying ability of States to engage in dollar matching, it does not give equal treatment to all sections of the country, whereas all sections are equally subjected to the increased living costs which always follow pay-roll taxes.

On the other hand, H. R. 6466, now before us, avoids each of these injustices and weaknesses. It is set up on a pay-as-you-go basis and will eliminate the specter of what has prophetically been called our "$40,000,000,000 blight" by making the accumulation of this huge trust fund unnecessary, while its taxes may also be passed along in part to consumers the present bill treats all groups alike in distributing its pensions, and the farmers of my State will fare as well as the laborers of Detroit or Boston in the old-age pensions they receive; and finally, citizens who attain old age in one State will be treated as fairly and as generously as citizens of similar age in every other State as the "accident of geography" will be eliminated from the many hazards which already attack old age.

PAY-AS-YOU-GO VERSUS BORROW-UNTIL-YOU-GO-BROKE

Our decision therefore reduces down to this, inasmuch as it is generally agreed that America is to accept a national responsibility for old-age pensions; should we adopt the proposed program under H. R. 6466—without amendments, due to the congressional censors who have imposed a gag upon us, but with the earnest hope that the Senate will iron out any wrinkles which must necessarily be leveled for efficient operation of the program—with its pay-as-you-go feature and its sound underlying principle of a universal tax for uniform pensions equally available to all or should we continue the old-age provisions of the Social Security Act with its borrow-until-you-go-broke features and its unsound and unfair underlying principle of a specialized tax—passed along to all—for unequal pensions available to some and denied to others, depending upon occupational happen chance and geographical accident?

There is no escaping this decision—each Member who votes on this bill, and I hope it is a recorded aye-and-nay vote, must declare for one program or the other. He either votes to perpetuate the present unsound and insolvent system of favoritism for the few in the matter of pensions or he votes to repudiate it by repealing the old-age features of social security and substituting therefor the principle of a

universal tax for uniform pensions equally available to all. As for me, I shall vote for the latter principle. Unless better parliamentarians than I can yet develop a method for voting for a better pension program than H. R. 6466, I shall vote in favor of this bill at the conclusion of this debate, and I urge you, on both sides of this center aisle, to do likewise.

DIVIDENDS VERSUS DECEPTION

In so voting, I am unable to predict the size of the pensions which will result for our aged if this bill passes. The sponsors have fairly enough agreed to divide the net returns of the special tax for old-age pensions among those receiving pensions—we all hope this will be an ample fund. Personally, I neither share the enthusiasm of this bill's most ardent claimants nor do I share the alarm of its gloomiest opponents. Somewhere between these two extremes the history of this bill's experience will be written. As history unfolds and as experience indicates, H. R. 6466 can be amended and altered, modified and corrected to do better the job it is destined to do. Tax rates can be changed, tax bases altered, details of administration revised, exemptions extended, and mistakes corrected without violating its fundamental principles of pay as you go and a universal tax for a uniform pension.

Later Congresses will have to modify and alter and amend as dictates of experience provide, because social legislation of this type has never been perfected at first draft and some day, surely, a wiser and less partisan majority leadership will realize the futility of putting a gag on suggestion and a censor on perfecting amendments.

Happily, however, if this bill passes, it can neither bankrupt the country nor increase the national debt and in its passage it will add to the new hope it brings to the elderly citizens of this country the added encouragement to all that the stultifying spectre of a $47,000,000,000 trust fund will be removed from the pathway of progress and pay-as-you-go cash dividends of whatever size the tax provides will take the place of borrow-until-you-go-broke deception as a basis for old-age security in America.

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, I very much regret that our highly esteemed Ways and Means Committee has not seen fit to exercise its collective genius in perfecting the pending bill, H. R. 6466, before sending it to the floor of the House. Everyone, including its sponsors, admit that the bill is not perfect.

Under the circumstances, however, under the gag rule that has been adopted, the bill cannot be amended and must stand or fall as it is. If the bill is recommitted it will go back to an apparently hostile committee, a committee which intends soon to bring forth certain amendments to the Social Security Act in the present belief that this bill will be defeated.

A previous speaker has stated that no body of labor or capital has asked for this bill. In that connection it must be remembered that employed persons in certain classes come under the Social Security Act, but it must also be remembered that the old folks we are attempting to benefit here cannot be benefited by the pension plan of the Social Security Act. They are either already too old or they are not employed by industry and hence not eligible under the Social Security Act.

Now, Mr. Chairman, while I was opposed in the late election by the Townsend organization, I am pledged to and believe in a fair pay-as-you-go pension plan for the aged, and believe such a plan should be adopted at this session of Congress as a substitute for the present investment-fund pension plan of the Social Security Act.

I believe, under the circumstances that this bill should be passed over to the body on the other side of the Capitol's dome where its Finance Committee may consider it and perfect it in order that we may have an opportunity to make a proper plan the law of the land. Something constructive must be done and done now for our old people.

Mr. TREADWAY. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. HAWKS].

Mr. HAWKS. Mr. Chairman, this bill, in my opinion, is a recognition on behalf of the old people back home of the inadequacy of the present Social Security Act. We would not have had a Townsend plan or a Townsend bill or any other old-age pension bill before us today if the Social Security Act originally had not been just a downright political measure.

In the campaign of 1938 I accepted the endorsement of the Townsend group of my district. I did not speak for their plan. I did nevertheless accept their support, and I would be less than half a man today if I did not support the only piece of pension legislation that has been brought to this House.

While it is apparent that this bill, H. R. 6466, was hastily thrown together, and a large part of it is inconsistent with sound economics and highly intricate in its administration, the feature of a pay-as-you-go basis for pensions appeals to me greatly. It is my opinion that if we are ever to have a sound and adequate old-age pension we will have to adopt a pay-as-you-go principle and do away with the present ridiculous social-security plan. Under the present Social Security Act the Federal Government has collected taxes from the laboring people and their employers in an amount exceeding $1,000,000,000, and the only evidence that this money was collected is a big I O U down at the Treasury Department.

It is hard to imagine that anything could be more fantastic than the present act, but because it is a typical piece of New Deal legislation, and, further, because the New Deal still has a very comfortable majority in Congress, we can expect little or nothing during this term of Congress. You new dealers have played terrible politics with the misery of our people, both in pensions and relief. And, thank God, the responsibility is yours and not ours.

The Ways and Means Committee reported this bill without recommendation after almost 5 months of study on the general principles of social security, and you obtained from the Rules Committee a gag rule which typifies the worst in political maneuvers. I hope that when we have concluded the debate and the voting on this bill that every Member of this great body will have definitely impressed upon him the absolute necessity for adequate, reasonable, and sensible old-age pensions.

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

Mr. HAWKS. I yield.

Mr. BUCK. The gentleman wants to be fair I know.

Mr. HAWKS. Yes.

Mr. BUCK. The gentleman realizes that after the rather lengthy and strenuous efforts of the Ways and Means Committee they introduced in the House a bill containing rather widespread amendments of the Social Security Act, a bill which liberalizes the provisions of the Social Security Act materially; so this is not the only act of this nature that will be considered.

Mr. HAWKS. I would remind the gentleman from California that I have not seen a draft of the proposed amendment to the Social Security Act.

Mr. BUCK. It is available to the gentleman; it is printed, and if he wants a copy it is available.

Mr. HAWKS. I understand we are going to have debate on that subject, but this bill is before the House today; and I campaigned in 1938 for adequate pensions.

Mr. BUCK. Mr. Chairman, will the gentleman yield further?

Mr. HAWKS. No; I cannot yield further.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from South Dakota [Mr. CASE].

A PAY-AS-YOU-GO BILL

Mr. CASE of South Dakota. Mr. Chairman, the proposed revision of the Social Security Act moves further in the direction of an unbalanced Budget. I am unwilling to be put in the position of defending a move in that direction.

The headlines in today's papers describe that revision bill to which the gentleman has just referred. They read, "Benefits Increased Now; Tax Boosts Postponed." That is the sugar—more out, less in.

The bill before us, H. R. 6466, carrying faults as it does, moves in the opposite direction. It is a pay-as-you-go bill, at least.

And I am reminded that most Republican platforms call for an old-age pension system financed by pay-as-you-go taxes.

The late Ogden Mills, former Secretary of the Treasury, in his book entitled "The Seventeen Million," urged a simple, straightforward old-age pension based on a widely distributed tax without all the red tape, records, and confusion of the present two-headed social-security system. This bill moves in the direction of simplicity and is self-financing. Those who urge waiting for the revision of the Social Security Act must defend its deficit financing and its double bookkeeping and the permanent accuracy of the 44,000,000 individual record cards that already have been set up. I am unwilling to accept that foundation for a discussion of what should be done.

The bill before us is not perfect, but it proceeds on a principle that is sounder as a foundation for a system of old-age pensions, the principle of a self-financing, simple annuity system, to which each recipient will, in the course of time, have contributed according to his ability. His entitlement to benefits will not depend on his politics, and the amount will not be based upon somebody's personal opinion of his habits and needs, but all persons will be treated alike.

True, this bill is imperfectly drafted. It has references to section numbers that do not exist. When the transactions tax was dropped for the gross income tax, apparently two sections were inserted and later sections use the wrong numbers in referring to earlier paragraphs. That can be ridiculed as it has been ridiculed here today, but such arguments do not go to the issues involved. Under any normal procedure such things would be corrected by perfecting amendments without an objection.

True, the bill before us has some unfair features—exemption of National banks and not of State banks, exemption for chambers of commerce and not for labor unions, but those are oversights that would be amended normally on the floor if the gag rule had not been applied. It comes with poor grace for those who decreed the gag rule to chide anyone about mistakes of that kind in this bill.

Look to the Social Security Act, which has been on the statutes now for some years and still carries such unfair and unequal treatment, which you are only now proposing to revise in the bill to which reference has been made. That act still seeks to tax officers of some lodges as employees and to count honorary officers of commercial clubs as paid employees. It still excludes large groups of employees from its benefits. It still levies a forced loan against wage earners, promises to repay them with interest some sweet day, and then puts an I O U in the theoretical cash drawer and uses what would have been private purchasing power if left with the workers to finance a political spending program.

True, there is uncertainty as to how much the gross-income tax will yield. I speak of this point with considerable interest. We tried a gross-income tax in South Dakota. The results were disappointing. The day H. R. 6466 was introduced, May 23, I learned that it substituted the gross-income tax for a sales or transportation tax, and wired our present State director of taxation, Mr. J. H. Bottum, for the facts on our experience. Under date of May 24, 1939, his reply letter says:

> When the gross-income-tax law was passed in South Dakota, it was estimated that the revenue therefrom would amount to $9,300,000. The actual yield, however, fell far short of this figure. The last year the law was in operation the collections amounted to $2,814,000. The following fiscal year an additional $583,000 was collected. You can see, however, that the total revenue, under this law, was never greater than $3,300,000.

He points out, however, that only a portion of the tax was ever collected and that the South Dakota law prevented the tax from becoming a part of the purchased article. There is no such restriction in the bill before us. At the same time, it seems probable to me that the tax will not yield what is expected. But I call to your attention this fact—that it will not pay out more than it takes in.

It may be only $17 as some say; it may be only $43; it may be $51, but whatever estimate is correct, that will be the amount paid.

Mr. Chairman, I have not been deluged with letters and telegrams on this bill or on the Townsend plan as a whole. My district has the number of Townsend clubs you could expect where deflation, drought, and depression have buffeted the people with bank failures, crop failures, and New Deal disappointments. But, owing to the fact that I did not make the matter an issue in my campaign, and possibly because it is generally understood that my only pledge is to give careful, unbiased consideration to any question of importance that comes before us, my mail has not been heavy on this subject.

When asked what my course of action would be, I have stated that I would seek and support a movement to get a fair hearing for the bill with open consideration on the floor of this House. Any subject that is as widely discussed as this deserves that. But to call this 4-hour debate under a rule which permits no amendments of the bill a fair hearing is to mock the meaning of plain words.

I do not know who is responsible for the gag rule under which this bill is before us. Last night, one of my friends on the other side of the aisle remarked to me that he thought the President had made a mistake in insisting upon action at this time, that it was probably intended to put the Republicans on the spot, but that it was embarrassing a lot of Democrats. I do not know who insisted on the gag rule, but whatever leadership dictated such a course, I would caution to beware of what Edward Markham once called "The long, long patience of the plundered poor." If the people, finally impatient with rules and parliamentary procedure, rise and strike blindly some day, let your minds recall how you bound their Representatives today.

Some uncalled-for ridicule has been heaped today upon the man whose idea grew into the great Nation-wide surge for old-age pensions, Dr. Francis E. Townsend. I have never personally had the privilege of meeting Dr. Townsend. But he once practiced medicine in a county seat in my district, Belle Fourche, a frontier cattle town in those days. He is remembered there as a kindly gentleman who believed in trying to help folks. A daughter lives today in Hill City, a town not far from my home. Her townspeople speak of her and a brother who visits there with the highest esteem. The name of Townsend needs no eulogy at my hands. He has never posed as a great lawyer or a great economist but he has lived as one who would be a friend to the old folks and a helper of the young folks.

I am reminded, today, of another old man who believed in helping folks to freedom. Some folks called him queer. Probably he could not have written an Emancipation Proclamation. I am sure he could not have phrased an amendment to the Constitution, but, today, children in their young years learn to sing:

> John Brown's body lies amouldering in the grave,
> His soul goes marching on.

And I am not so sure, but that when we who debate technicalities and look for legal language will have been long gone and forgotten, song and story will tell of a man whose body lies moldering in the grave but whose passion to help folks gave this country the real inspiration to do away with poorhouses and do the decent thing for our older citizens.

Mr. TREADWAY. Mr. Chairman, may I inquire how much time I have remaining?

The CHAIRMAN. The gentleman from Massachusetts has 12 minutes remaining.

Mr. TREADWAY. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, I differ with my colleague, the gentleman from Massachusetts [Mr. GIFFORD] in his interpretation of the Massachusetts Republican platform for 1936. I quote verbatim from that platform:

> TOWNSEND PLAN
>
> Realizing that there are millions of thinking citizens throughout the Nation who have studied into and believe in the principles of the Townsend national recovery plan as embodied in

the bill bearing the title of the General Welfare Act of 1937 (H. R. 4199), but more popularly known in public discussion as the Townsend national recovery plan, we pledge the entire Republican delegation in the Congress to work for a full discussion at the earliest possible moment.

As there may be many good citizens in the State who do not concur in the economic advisability of the plan for national recovery as advanced by Dr. Townsend, we desire to make it definite that this plank in our platform does not commit the Republican Party of Massachusetts to the merits of the plan itself, but does insist that it has earned the right to consideration by the Congress without further delay.

That consideration has certainly been given to the plan of Dr. Townsend and to every other scheme that has been presented to the Ways and Means Committee for old-age pensions. The Republican Party has kept its pledge to the voters of Massachusetts.

If time permitted, I would like very much to defend the position taken by the Ways and Means Committee. I realize that we are being criticized, very severely criticized, for making no report.

Mr. Chairman, as one of the minority willing to assume my share of the discredit which has been cast upon the Ways and Means Committee by reason of the nature of the report on the pending bill, I particularly call attention to the fact that in the committee, 13 of 15 Democratic members—a majority of the committee— led the way in reporting the bill without recommendation and without hearings.

It is very easy to explain this situation. For months we have been having hearings on social security, including the former Townsend and general-welfare bills. Three months elapsed from the time Dr. Townsend agreed to submit his proposed amendments before they reached the committee. Then the Townsend advocates, in and out of Congress, asked for an immediate report on the amended bill without recommendation. It was impossible to grant hearings at the late date at which the amended bill was submitted in view of the insistence on speedy action on their part.

It seems to me there are two major factors in the criticisms that can be rightly directed against the Ways and Means Committee. First, yielding to the insistence of the friends of Dr. Townsend. Second, the willingness of the majority to make a report of this nature, in which the Republicans joined, although we did not have committee control nor were we needed to contribute to the report as made by the 13 Democratic members of the committee.

Therefore, let the blame rest where it belongs, on the shoulders of the Democratic majority of the Ways and Means Committee.

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

Mr. TREADWAY. I yield.

Mr. BUCK. Did the gentleman say there were 15 Democratic members voted to report the bill out without recommendation?

Mr. TREADWAY. I said that 13 members on the Democratic side voted to report the bill out—a majority of the committee. Two of the Democratic members voted against the motion to report the bill without recommendation.

Mr. BUCK. Did any Republican member vote to report the bill out with recommendation?

Mr. TREADWAY. We did not. That motion was never offered. I am not saying that we did not join in the committee's action.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield myself 1 additional minute.

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

Mr. TREADWAY. No; I cannot yield further.

Mr. BUCK. Why did not the Republican members show the statesmanship their speakers have been calling for by joining the two of us who voted "no"?

Mr. TREADWAY. I said two members did not vote for the motion. The gentleman from California was one of the two Democratic members voting "no."

Mr. Chairman, I decline to yield further.

Mr. Chairman, in closing may I say that for my part, I have more than carried out my obligations to the friends of the Townsend program.

I therefore feel free to vote on this bill in accordance with the wishes of the majority of my constituents and with my own conscience.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, in view of the statement recently made that this is the only pension bill or bill protecting the aged that might be considered by the House, I think it is proper to call the attention of all Members to the fact that H. R. 6497, which is the bill that the Ways and Means Committee will report some time next week under an open rule, is now available for distribution and has been introduced by Chairman DOUGHTON. Look it over before you vote tomorrow.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Oklahoma [Mr. JOHNSON].

Mr. JOHNSON of Oklahoma. Mr. Chairman, as one Member of Congress who has pioneered in advocating and fighting for fair and adequate old-age pensions for all of our needy old people, I shall cast my vote against this fantastic, impractical, utopian dream, the so-called Townsend plan.

When I first began advocating adequate pensions for our aged people I was criticized and actually ridiculed by some of those in the district I have the honor to represent who now pose as the only real friends of our old people. Many years ago, at a time when old-age pensions were decidedly unpopular, I introduced one of the first bills ever presented to Congress proposing Federal old-age pensions. That was long before the world ever heard of Dr. Townsend or his fantastic cure-all plan.

Mr. Chairman, I stand ready to give my active and enthusiastic support to any fair, sane, and reasonable legislation to aid our deserving old people that has any possible chance of ever being enacted into law. No one, not even the proponents of this pending bill, pretend to say that the bill will pass either House of Congress. It is common knowledge that this bill would get mighty few votes here if Members thought there was the remotest possibility of its passage, and fewer still if a secret vote were taken. It is not here for the purpose of securing any possible help to our millions of needy and the deserving old people who have been fooled and deceived into the delusion that it lacks only a few votes in this Congress in order to enact this measure into law.

Advocates of the so-called Townsend bill have repeatedly stated on this floor this afternoon that this bill presents the only opportunity that Members will have of voting to liberalize the present inadequate and entirely unsatisfactory old-age pension law. That is offered as an excuse for voting for this ambiguous monstrosity by some Members who know that the Townsend bill is full of loopholes and meaningless phraseology.

The gentleman from California [Mr. BUCK], an able and distinguished member of the Ways and Means Committee, who preceded me, made it plain that an opportunity will be offered all Members of the House to liberalize the present law within a few days, when legislation is presented to this House to amend the Social Security Act. This House has been assured that these proposed amendments will be brought here under an open rule, which means that all Members will be given ample opportunity to offer any amendments they may choose to present.

May I say in this connection that unless the Committee on Ways and Means presents to this House amendments to materially increase and liberalize benefits to our aged citizens I give notice here and now that such amendments will be offered from the floor of this House. [Applause.] That the present law is wholly inadequate and in many respects indefensible is generally conceded. But merely because few, if any, of us are satisfied with the present law is no reason or excuse to vote for this makeshift measure, even though it does have the blessing of Townsend and his organization.

My objection, Mr. Chairman, to the pending Townsend bill is not primarily that the old folks of my district and State have been repeatedly told that they are to receive $200 per month provided they continue to send their dimes to a

man who admits under oath that he has taken in over $3,000,000 of their money that they could ill-afford to part with, nor is it because sponsors of this bill now claim that their pyramided sales tax, if enacted, would pay only from $50 to $75 per month. Nor is it for the reason that national banks are exempt from the provisions of this bill, while State banks are proposed to be taxed, as indefensible as all this is. The most serious objection is that the sponsors of the measure profess to believe that by imposing a so-called transaction tax scheme, which is only another name for a pyramided sales tax, you can eliminate unemployment and bring back prosperity. You cannot increase the purchasing power of the country by taxing consumption. That will not eliminate underconsumption, but will only redistribute the poverty of the Nation. It would be robbing Peter to pay Paul. You cannot make the W. P. A. worker, the day laborer, the small-salaried man, or the tenant farmer or farm owner, now struggling to get along, more prosperous by burdening him with consumption taxes; and anyone who claims that this transaction tax will not reduce the purchasing power of the consumers and purchasers simply has not considered the mechanics of the tax. The record shows that every tax expert called before the committee so testified.

As the gentleman from North Carolina, the distinguished chairman of the Ways and Means Committee [Mr. DOUGHTON] has just said:

> This bill will not only impose a new tax but the heaviest tax ever levied in the history of this or any other country. It will impose not only a tax—the heaviest in all history—but it would impose a tax without any reference or regard whatever to ability to pay, and pretending, I say, to promote business recovery. It is also claimed that this bill, if enacted into law, would abolish poverty. would banish the poorhouse, eliminate courts and jails. In other words, it would in effect bring the millenium. These are some of the modest claims of Dr. Townsend. O, Mr. Chairman, this bill if put into operation would break the legs of industry; it would break the back of agriculture; and it would break the neck of labor. That would be the effect of this unsound, impossible, unworkable, chimerical scheme.

The able chairman pointed out that this tax would give "an enormous advantage to large producers who distribute directly to the consumer, as the total tax payable with respect to any commodity varies with the number of hands through which it passes." It would be of enormous benefit to chain stores and monopolies. The gigantic business concern which produced the raw material, processed it into articles for sale, and sold these commodities direct to the consumer would eliminate the independent producer of agricultural products and raw materials; it would put the independent manufacturer and small-business man out of business as rapidly as the transition from a free competitive system to monopoly could be effected. That was admitted by Dr. Townsend before the Ways and Means Committee when questioned by the gentleman from Massachusetts [Mr. MCCORMACK] as is shown by the record of the hearings. Now, few, if any, of these objections can be made to H. R. 11, introduced by the gentleman from California [Mr. SHEPPARD] which proposes to raise funds for these old-age benefits upon ability to pay, exempting the small-salaried man and the little producer. I have steadfastly maintained the position that all taxes should be based upon ability to pay and benefits derived from the distribution of the tax money.

To those who vote for this bill when the roll is called because of political expediency, who are faint-hearted and fearful of threats of defeat by the Townsend organization, permit me to say I have met that threat in the past when the Townsend organization was in its ascendancy. I did not run from the issue then and I shall not do so now nor in the future. I do not consider Dr. Townsend inspired or invincible. You will recall that in 1936 he told us: "Anybody but Roosevelt." He conspired and cooperated with the forces of reaction which sought desperately to repudiate our great President and his program in 1936. I cannot follow blindly a man who keeps such political company. No true friend of President Roosevelt or sincere believer in the principles of the Democratic Party can consistently follow the Republican Dr. Townsend.

Mr. Chairman, when this Townsend monstrosity, this visionary scheme, is overwhelmingly defeated by this House, which all admit will be done, it should clear the atmosphere and permit some real practical and constructive legislation for the benefit of the millions of deserving old people of this country. It is my earnest plea and sincere hope that all those interested in securing worth-while results for the aged, during the present session, get together and present to this Congress a sane, sound pension program, a program that will meet with the approval of both Houses of Congress, a program that actually can and will be enacted into law. Such a program will be a god-send to our needy and suffering old people and I feel confident will meet with the approval of the average citizen and taxpayer.

Mr. DOUGHTON. Mr. Chairman, I yield 8 minutes to the gentleman from Florida [Mr. HENDRICKS].

Mr. HENDRICKS. Mr. Chairman, I am tired from having worked about 8 weeks to bring this bill before the House of Representatives for a vote, but I am happy in the realization that I have kept a promise to my people. There have been many bitter things said in the House this afternoon, and I sincerely hope that whatever regard you may have for anyone else, you will realize no matter what you may have said on this floor I have not taken any offense. I, being a sentimental cuss, would rather have the respect and affection of the Members of this House than have anyone entertain any other feeling toward me.

Mr. Chairman, I thought that all debate on this bill would end today and that we would be on equal terms, but I understand now that both sides have reserved a speaker for tomorrow morning. I first thought I would refuse time this evening, but I think now I shall take it because I have some things to say that I believe some Members may want to read during the night or in the morning.

There are one or two things I want to answer. As a matter of fact, there are only one or two things that have been said which I think deserve an answer. We spent a great deal of time this afternoon trying to prove that each other was a bit crazy. When someone tells me I am crazy, I am reminded of a statement made by the eminent psychologist, Henry James. He stated: "There is really no sharp line of demarcation between the sane and the insane."

Mr. Chairman, two things were said to which I would like to give a brief answer. One of them was the mention of the Bell investigating committee and the results of that investigation. I do not know what this Congress thinks, but I know what I think, and I believe that the Nation has come to the conclusion that the final result of that investigation was that $35,000 of the taxpayers' money has been spent and that an old man has been held in contempt of the committee, sentenced to jail, then given a Presidential pardon. I think that is the result of the Bell investigation.

Mr. Chairman, it has been pointed out to us today that every economist who appeared before the committee condemned this plan. I want to challenge any Member of this House to read the testimony of the economists who appeared before this committee and testified on this bill and find where any two of them agreed on a single thing except a general conclusion. They knew nothing about how much the bill will bring in, or what the tax will do, or whether it will improve business. They only came to the conclusion that this is a bad bill. The economists are classed as experts, and let me say something here about experts.

Back in the 1830's some bold spirit predicted that a steamship capable of crossing the Atlantic under its own power could be built. This was a challenge to one Dr. L. A. Lardner, B. A., M. A., LL. B., LL. D. He sat right down and wrote a long article about the rash prediction. You can see it in any library that possesses the Edinburgh Review for 1837. It ran to 25½ close-printed pages. And it proved minutely and in detail by all the laws of physics, mechanics, and thermodynamics that the idea of a ship's crossing the Atlantic under steam was just plain silly.

It was a beautiful essay, and it was printed in ample time to be brought to America in the *Sirius*, the first ship to cross the Atlantic under steam.

Dr. Lardner was not the only expert that was wrong. Others shook their heads over railroads, declaring that at the terrific speed of 35 miles per hour passengers would be suffocated, and German scientists added that such giddy velocities would put people's insides out of order.

When Col. John Stevens proposed a railroad instead of the Erie Canal he was scornfully laughed at. Those who laughed at him a few years later were to see that canal all but put out of business by railroads.

"Yes—but!" says the expert who is out to prove you wrong. "That was in the old days. We do not guess now. We know better."

Since when? One of the queer things about the experts is that sometimes they know just enough to be spectacularly wrong. Experts had the man who invented photography placed in an insane asylum.

It was the experts who said in 1894 that the horseless carriage was only for the rich and would never come in as common use as the bicycle. It was one of the most distinguished physicists who said in 1903, "The example of the birds does not prove that man can fly." Exactly 2 weeks after he had advised against an attempt to fly two mechanics by the name of Wright sailed off the ground in the first successful airplane flight.

One of the very greatest and most able inventors proved how wrong a great man can be when in 1926 Thomas A. Edison gave it as his considered opinion that talking pictures would never come into general use "because the public will not support them."

Charles F. Kettering, head of the General Motors research laboratory, a distinguished inventor in his own right, had many rebuffs. In the course of his early search for a hard, quick-drying automobile finish to replace the old varnish process that took 37 days, he was rebuffed by a committee of paint experts who told him with withering scorn that the time might be reduced to 34 days but not less. Nature, they said, fixed the length of drying.

Eventually, Nature was persuaded to do the job in less than an hour but not by the experts. "Any time you want to stop a new thing quickly," says Kettering, "get a bunch of experts together. Just call a conference. They all vote that you cannot do it."

Mr. Chairman, I want the Members to read the statement that Dr. Townsend asked me to convey to the Members of this House this morning. I understand there will be a motion to recommit. I want to say that any vote cast in favor of a motion to recommit will be considered as a vote against this bill. I ask you to turn to his statement that I read to you this afternoon.

Mr. Chairman, I have this to say to all Members of the House, whether they be Democrat or Republican:

Some years ago this plan was laughed on the floor and laughed down with 30 votes. There is some indication that it was laughed on the floor this time and also some indication that there will be an attempt to laugh it down but you cannot laugh at the principles involved in the plan, and unless I miss my guess, when the next election rolls around there are many Members of this House who will find it very difficult to laugh it off.

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. SMITH of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 6466) to provide for and promote the general welfare of the United States by supplying to the people a more liberal distribution and increase of purchasing power, retiring certain citizens from gainful employment, improving and stabilizing gainful employment for other citizens, stimulating agricultural and industrial production and general business, and alleviating the hazards and insecurity of old age and unemployment; to provide a method whereby citizens shall contribute to the purchase of and receive a retirement annuity; to provide for the raising of the necessary revenue to operate a continuing plan therefor; to provide for the appropriation and expenditure of such revenue; to provide for the proper administration of this act; to provide penalties for violation of the act; and for other purposes, pursuant to House Resolution 205, he reported the same back to the House.

HOUR OF MEETING TOMORROW

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock a. m. tomorrow.

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

There was no objection.

GOVERNMENT REORGANIZATION PLANS I AND II

Mr. COCHRAN, from the Select Committee on Government Organization, reported the joint resolution (S. J. Res. 138) providing that reorganization plans Nos. I and II shall take effect on July 1, 1939, which was referred to the Committee of the Whole House on the state of the Union and ordered to be printed.

ORDER OF BUSINESS

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent that on tomorrow it may be in order to consider in the House the joint resolution (S. J. Res. 138) providing that reorganization plans Nos. I and II shall take effect on July 1, 1939, which I have just reported from the Select Committee on Government Organization.

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

There was no objection.

EXTENSION OF REMARKS

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members of the House may have 5 legislative days within which to extend their own remarks in the RECORD on the bill under consideration today.

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

There was no objection.

Mr. ROBERTSON. Mr. Speaker, in the Committee of the Whole I was given unanimous consent to revise and extend my remarks. I now ask unanimous consent to include in those remarks some brief excerpts from testimony of sundry witnesses before the Ways and Means Committee.

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

There was no objection.

Mr. DISNEY. Mr. Speaker, I ask unanimous consent to extend my remarks and to include an editorial written about our colleague, the gentleman from Oklahoma [Mr. FERGUSON].

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

There was no objection.

Mr. CARTWRIGHT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a radio speech I delivered Monday night.

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

There was no objection.

Mr. JOHNSON of Oklahoma and Mr. DURHAM asked and were given permission to revise and extend their own remarks in the RECORD.

Mr. LYNDON B. JOHNSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter from the Texas Federation of Labor.

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

There was no objection.

Mr. SIROVICH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by printing therein a speech I delivered on the floor of the House.

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

There was no objection.

Mr. SMITH of Washington. Mr. Speaker, I ask unanimous consent to extend the remarks which I made today during the debate on the adoption of the rule and to include therein certain telegrams.

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

There was no objection.

Mr. WHITE of Idaho. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein some excerpts from an article on neutrality.

The SPEAKER. Is there objection?

There was no objection.

Mr. DINGELL. Mr. Speaker, I ask unanimous consent to extend the remarks I made this afternoon and include therein a pertinent table.

The SPEAKER. Is there objection?

There was no objection.

Mr. BUCK. Mr. Speaker, I ask unanimous consent to extend my own remarks made this afternoon and to include therein excerpts from hearings before the Ways and Means Committee on social-security amendments.

The SPEAKER. Is there objection?

There was no objection.

DELETION FROM THE RECORD

Mr. MASSINGALE. Mr. Speaker, I ask unanimous consent to be permitted to delete from the RECORD or have it done any reference I made in the colloquy in my remarks this afternoon concerning the gentleman from Michigan [Mr. MAPES]. I think I got that permission in the committee, but some seem to understand not.

The SPEAKER. Is there objection?

Mr. HOFFMAN. Mr. Speaker, I reserve the right to object. Does the gentleman know whether or not those remarks will be printed in the Townsend Weekly next week and capital made of it?

The SPEAKER. Is there objection?

Mr. HOFFMAN. Mr. Speaker, for the moment I object because I understand the gentleman remarked that he would get the headlines.

Mr. MASSINGALE. The gentleman is just talking about something he does not know anything about.

Mr. HOFFMAN. I am not, and I object.

The SPEAKER. The Chair is under the impression that the gentleman from Oklahoma has obtained unanimous consent to withdraw the remarks.

Mr. MASSINGALE. I thought I obtained it, but in talking with the gentleman from Michigan [Mr. MAPES], he thought I did not.

Mr. MAPES. Mr. Speaker, if I may be permitted to make a statement, the gentleman from Oklahoma [Mr. MASSINGALE] spoke to me about the request, and as far as I am concerned I have no objection. I would be glad to have it granted.

EXTENSION OF REMARKS

Mr. IZAC. Mr. Speaker, I ask unanimous consent to extend my remarks and to include some testimony before the Committee on Ways and Means on old-age pensions.

The SPEAKER. Is there objection?

There was no objection.

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that my colleague, the gentleman from Pennsylvania [Mr. DITTER] be permitted to extend his remarks by printing an address delivered last Saturday.

The SPEAKER. Is there objection?

There was no objection.

Mr. ANGELL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD which I made in the Committee and include some excerpts from the Committee on Ways and Means.

The SPEAKER. Is there objection?

There was no objection.

Mr. HAVENNER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including an address made by the Postmaster General at the Golden Gate International Exposition.

The SPEAKER. Is there objection?

There was no objection.

Mr. COFFEE of Washington. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include a radio address which I delivered.

The SPEAKER. Is there objection?

There was no objection.

Mr. MOTT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD, and include in my remarks made today a petition and a letter with reference to pending legislation and also excerpts on the same subject before the Committee on Ways and Means.

The SPEAKER. Is there objection?

There was no objection.

Mr. SCHAFER of Wisconsin. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein some brief extracts from Dr. Townsend's propaganda as well as some testimony of his so-called experts before the committees of Congress.

The SPEAKER. Is there objection?

There was no objection.

Mr. MURRAY. Mr. Speaker, I ask unanimous consent to add a table from the Social Security Board in addition to the remarks I made in the House this afternoon.

The SPEAKER. Is there objection?

There was no objection.

Mr. BREWSTER. Mr. Speaker, I ask unanimous consent to include excerpts from testimony before the committee in my remarks made today.

The SPEAKER. Is there objection?

There was no objection.

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

The SPEAKER. Is there objection?

There was no objection.

THE LATE SENATOR HUEY P. LONG

Mr. BROOKS. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

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

There was no objection.

Mr. BROOKS. Mr. Speaker, the name of the late Senator Huey P. Long has been brought into this debate by my colleague from the State of Idaho [Mr. WHITE]. Apparently I do not agree with this gentleman in his estimate and appraisal of my late friend Huey Long, and since he is not here to speak for himself I desire to say these few words to sum up, in my opinion, Senator Long's views as to an old-age pension.

Huey Long was one of the most outstanding men who have ever served in the United States Senate. His zeal and work in behalf of the old people of the Nation is well known to everybody, as is the fact that he was one of the first men in public life to ever espouse the cause of an adequate and fair pension to the old people of this country. The program of Senator Long in this respect was not crackpot or unsound. It was well-balanced, businesslike, and deserves emulation.

It now appears that the Townsend bill, being H. R. 6466, is now headed for certain defeat, and since this is the case, speaking as a man who appreciated the outstanding ability and great heart of the late Senator from Louisiana, it is my hope that the Ways and Means Committee of the House of Representatives will not let this session die without bringing in an adequate pension to take care of our old people. It is my hope that this bill will provide a pension which, on the one hand, the United States Government can afford, and, on the other hand, which will adequately and properly support those people who have reached the sunset of life and who need assistance. This pension should be paid entirely by the Federal Government and no one should be required to sign a pauper's oath in order to be entitled to some assistance under our humanitarian plan of taking care of the old people of the United States.

[Here the gavel fell.]

Mr. WHITE of Idaho. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

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

Mr. RAYBURN. Mr. Speaker, reserving the right to object, I will not object to the gentleman from Idaho speaking, but, of course, it is very late and I will object to any other requests to speak this evening.

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

There was no objection.

Mr. WHITE of Idaho. Mr. Speaker, it is unfortunate that my remarks concerning the late Huey Long were misunderstood. I may state that I was born in the State of Louisiana; and, further, that I was born on the site of the present Capitol of the State of Louisiana.

Mr. Speaker, I am a great admirer of the late Huey Long. I yield to no man from the State of Louisiana in my respect for the Honorable Huey Long; and I suggest that my colleagues from the great State of Louisiana read the RECORD in the morning to see just what my remarks were about Huey Long.

I said that Huey Long was one of the greatest humanitarians, that he favored a national old-age pension; and I believe I drew a distinction between Huey Long and the gentleman who spoke and put on a show here this afternoon. If my remarks have been misunderstood and my intention misinterpreted I make this apology, because I regard Huey Long as a great statesman who did a great and lasting service for the people of Louisiana and brought them benefits wrung from the hands of the oppressors—benefits they are enjoying today and will for all time to come. [Applause.]

Mr. Speaker, I yield back the balance of my time.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. SABATH, for 5 days, on account of important business.

To Mr. BARTON (at the request of Mr. MARTIN of Massachusetts), for 1 week, on account of death in family.

To Mr. GEHRMANN (at the request of Mr. HILL) on account of serious illness of his daughter in Wisconsin.

To Mr. DARDEN, for Thursday, June 1, on account of an engagement made 2 months ago, to take part in the launching of the destroyers *Morris* and *Wainwright* at the Norfolk Navy Yard at noon on June 1.

EXTENSION OF REMARKS

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the proceedings under which the remarks of the gentleman from Oklahoma [Mr. MASSINGALE], in reference to the gentleman from Michigan [Mr. MAPES], were taken down may be deleted from the RECORD and that the gentleman from Oklahoma may have the right to revise and extend his own remarks.

Mr. SCHAFER of Wisconsin. Mr. Speaker, reserving the right to object, is this request made with the approval of the gentleman from Michigan [Mr. MAPES] and the gentleman from Oklahoma?

Mr. RAYBURN. Certainly; otherwise I would not have submitted the request.

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

There was no objection.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES—LAWS ENACTED BY THE FIRST NATIONAL ASSEMBLY OF THE PHILIPPINES

The SPEAKER laid before the House the following message from the President of the United States which was read, and, together with the accompanying papers, referred to the Committee on Insular Affairs.

To the Congress of the United States:

As required by section 2 (a) (11) of the act of Congress approved March 24, 1934, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," I transmit herewith copies of laws enacted by the First National Assembly of the Philippines during its third session, from January 24, 1938, to May 19, 1938; its fourth special session, May 23 and 24, 1938; and its fifth special session, from July 25, 1938, to August 15, 1938.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *May 31, 1939.*

SENATE BILLS REFERRED

Bills and a joint resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 485. An act providing for the cancelation of certain charges under section 20 of the River and Harbor Act of March 3, 1899; to the Committee on Rivers and Harbors.

S. 555. An act for the relief of Addison B. Hampel; to the Committee on Claims.

S. 581. An act for the relief of Robert H. Muirhead; to the Committee on Military Affairs.

S. 683. An act for the relief of Fae Banas; to the Committee on Claims.

S. 809. An act for the relief of Jessie M. Durst; to the Committee on Claims.

S. 1031. An act to amend section 243 of the Penal Code of the United States, as amended by the act of June 15, 1935 (49 Stat. 378), relating to the marking of packages containing wild animals and birds and parts thereof; to the Committee on Agriculture.

S. 1047. An act for the relief of Emerson J. French; to the Committee on Military Affairs.

S. 1229. An act for the relief of Ernest Clinton and Frederick P. Deragisch; to the Committee on Claims.

S. 1335. An act relating to the filing of affidavits of prejudice in the District Court for the District of Alaska; to the Committee on the Judiciary.

S. 1409. An act to authorize the conveyance by the United States to the town of Bristol, Maine, of a portion of the Pemaquid Point Lighthouse Reservation, and for other purposes; to the Committee on Merchant Marine and Fisheries.

S. 1414. An act for the relief of Allie Holsomback and Lonnie Taylor; to the Committee on Claims.

S. 1527. An act for the relief of Joseph Lopez Ramos; to the Committee on Claims.

S. 1542. An act to authorize the Director of the Geological Survey, under the general supervision of the Secretary of the Interior, to acquire certain collections for the United States; to the Committee on Mines and Mining.

S. 1722. An act for the relief of Hannis Hoven; to the Committee on Claims.

S. 1806. An act to provide for the construction and equipment of a building for the experiment station of the Bureau of Mines at Rolla, Mo.; to the Committee on Mines and Mining.

S. 1816. An act for the relief of Montie S. Carlisle; to the Committee on Claims.

S. 2067. An act for the relief of Leslie J. Frane and Charles Frane; to the Committee on Claims.

S. 2114. An act for the relief of Virginia Pearson; to the Committee on Claims.

S. 2307. An act to amend section 3 of the act entitled "An act to authorize the construction of certain bridges and to extend the times for commencing and completing the construction of other bridges over the navigable waters of the United States," approved June 10, 1930, as amended and extended, and for other purposes; to the Committee on Interstate and Foreign Commerce.

S. 2330. An act to authorize cooperation with other American republics in accordance with treaties, resolutions, declarations, and recommendations by all of the 21 American republics at the Inter-American Conference for the Maintenance of Peace; to the Committee on Foreign Affairs.

S. 2454. An act to relieve disbursing officers and certifying officers of the Veterans' Administration from liability for payment where recovery of such payment is waived under existing laws administered by the Veterans' Administration; to the Committee on Expenditures in the Executive Departments.

S. J. Res. 95. Joint resolution to change the name of the Mud Mountain Dam and Reservoir; to the Committee on Flood Control.

ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills and joint resolutions of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 913. An act to prohibit the unauthorized use of the name or insignia of the 4-H clubs, and for other purposes;

H. R. 2044. An act for the relief of R. Dove and Laura J. Dove;

H. R. 2097. An act for the relief of Homer C. Stroud;

H. R. 2259. An act for the relief of Stanley Mercuri;

H. R. 2345. An act for the relief of R. H. Gray;

H. R. 2878. An act to authorize the Secretary of the Navy to proceed with the construction of certain public works, and for other purposes;

H. R. 2926. An act for the relief of Bernard Woodruff;

H. R. 3074. An act for the relief of Edgar Green;

H. R. 3300. An act for the relief of Grace Rouse;

H. R. 3646. An act to authorize certain officers and employees to administer oaths to expense accounts;

H. R. 3897. An act for the relief of Harry L. Smigell;

H. R. 5136. An act to amend the act entitled "An act to provide books for the adult blind," approved March 3, 1931;

H. R. 5324. An act to amend certain sections of the National Housing Act;

H. R. 5485. An act permitting the War Department to transfer old horses and mules to the care of reputable humane organizations;

H. R. 5601. An act for the relief of John T. Clarkson;

H. R. 5756. An act to amend section 509 of the Merchant Marine Act, 1936, as amended;

H. J. Res. 171. Joint resolution authorizing the President of the United States to accept on behalf of the United States a conveyance of certain lands on Government Island from the city of Alameda, Calif., and for other purposes;

H. J. Res. 189. Joint resolution to define the status of the Under Secretary of Agriculture, and for other purposes; and

H. J. Res. 280. Joint resolution authorizing the payment of salaries of the officers and employees of Congress on the first workday preceding the last day of any month when the last day falls on Sunday or a legal holiday.

BILLS AND JOINT RESOLUTIONS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills and joint resolutions of the House of the following titles:

H. R. 913. An act to prohibit the unauthorized use of the name or insignia of the 4-H clubs, and for other purposes;

H. R. 2044. An act for the relief of R. Dove and Laura J. Dove;

H. R. 2097. An act for the relief of Homer C. Stroud;

H. R. 2259. An act for the relief of Stanley Mercuri.

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H. J. Res. 171. Joint resolution authorizing the President of the United States to accept on behalf of the United States a conveyance of certain lands on Government Island from the city of Alameda, Calif., and for other purposes;

H. J. Res. 189. Joint resolution to define the status of the Under Secretary of Agriculture, and for other purposes; and

H. J. Res. 280. Joint resolution authorizing the payment of salaries of the officers and employees of Congress on the first workday preceding the last day of any month when the last day falls on Sunday or a legal holiday.

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 18 minutes p. m.) the House, pursuant to its previous order, adjourned until tomorrow, Thursday, June 1, 1939, at 11 o'clock a. m.

COMMITTEE HEARINGS

COMMITTEE ON FOREIGN AFFAIRS

There will be a meeting of the Committee on Foreign Affairs (executive session) in the committee rooms, Capitol, at 10: 30 a. m. Thursday, June 1, 1939, for the consideration of House Joint Resolution 306, Neutrality Act of 1939.

COMMITTEE ON THE JUDICIARY

On June 1, 1939, beginning at 10 a. m., there will be a public hearing before the Committee on the Judiciary on the bill (H. R. 6369) to amend the act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplemental thereto; to create a Railroad Reorganization Court, and for other purposes.

There will be a public hearing before Subcommittee No. III of the Committee on the Judiciary on Friday, June 2, 1939, at 10 a. m., on the bill (H. R. 2318) to divorce the business of production, refining, and transporting of petroleum products from that of marketing petroleum products. Room 346, House Office Building.

COMMITTEE ON THE POST OFFICE AND POST ROADS

There will be a meeting of Subcommittee No. II of the Committee on the Post Office and Post Roads Friday, June 2, 1939, at 10 a. m., to consider H. R. 5757, a bill to require that periodicals sent through the mails or introduced into interstate commerce contain the name of the publisher and place of publication.

There will be a meeting of Subcommittee No. II of the Committee on the Post Office and Post Roads on Tuesday, June 6, 1939, at 10 a. m., to consider H. R. 4932, a bill to amend the act of March 3, 1879.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold public hearings in room 219, House Office Building, at 10 a. m., on the bills and dates listed below:

On Tuesday, June 6, 1939, on H. R. 6039, motorboat bill of 1939 (BLAND); and H. R. 6273, outboard racing motorboats (BOYKIN).

On Thursday, June 8, 1939, on H. R. 5837, alien owners and officers of vessels (KRAMER); and H. R. 6042, requiring numbers on undocumented vessels (KRAMER).

On Tuesday, June 13, 1939, on H. R. 1011, drydock facilities for San Francisco (WELCH); H. R. 2870, drydock facilities for Los Angeles (THOMAS F. FORD); H. R. 3040, drydock facilities for Los Angeles (GEYER of California); and H. R. 5787, drydock facilities for Seattle, Wash. (MAGNUSON).

On Thursday, June 15, 1939, on House Joint Resolution 194, investigate conditions pertaining to lascar seamen (SIROVICH).

On Friday, June 16, 1939, on H. R. 5611, district commanders bill (U. S. Coast Guard).

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

796. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Central Statistical Board for the fiscal year 1940, amounting to $22,900 (H. Doc. No. 306); to the Committee on Appropriations and ordered to be printed.

797. A letter from the Secretary of the Interior, transmitting the draft of a proposed bill to authorize the sale or lease of certain public lands in Alaska; to the Committee on the Public Lands.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. GRIFFITH: Committee on Naval Affairs. S. 1116. An act to amend section 1860 of the Revised Statutes, as amended (48 U. S. C. 1460), to permit retired officers and enlisted men of the Army, Navy, Marine Corps, and Coast Guard to hold civil office in any Territory of the United States; without amendment (Rept. No. 699). Referred to the Committee of the Whole House on the state of the Union.

Mr. EATON of California: Committee on Naval Affairs. S. 1118. An act to provide for acceptance and cashing of Government pay checks of retired naval personnel and members of the Naval and Marine Corps Reserves by commissary stores and ship's stores ashore, located outside the continental limits of the United States; without amendment (Rept. No. 700). Referred to the Committee of the Whole House on the state of the Union.

Mr. CHURCH: Committee on Naval Affairs. H. R. 5802. A bill granting the retired pay of a chief pharmacist's mate, United States Navy; with amendment (Rept. No. 701). Referred to the Committee of the Whole House on the state of the Union.

Mr. CHANDLER: Committee on the Judiciary. H. R. 5999. A bill to provide for the administration of the United States courts, and for other purposes; with amendment (Rept. No. 702). Referred to the Committee of the Whole House on the state of the Union.

Mr. VINSON of Georgia: Committee on Naval Affairs. Senate Joint Resolution 126. Just resolution to amend the act to authorize alterations and repairs to certain naval vessels, and for other purposes, approved April 20, 1939; without amendment (Rept. No. 703). Referred to the Committee of the Whole House on the state of the Union.

Mr. BARNES: Committee on the Judiciary. H. R. 6505. A bill to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto; without amendment (Rept. No. 704). Referred to the House Calendar.

Mr. BLAND: Committee on Merchant Marine and Fisheries. H. R. 4674. A bill to provide for the establishment of a Coast Guard station at or near the city of Monterey, Calif.; without amendment (Rept. No. 707). Referred to the Committee of the Whole House on the state of the Union.

Mr. KELLER: Committee on the Library. House Joint Resolution 286. Joint resolution to provide for the lending to the Virginia Military Institute of the equestrian portrait of Gen. Winfield Scott now stored in the Capitol; without amendment (Rept. No. 708). Referred to the Committee of the Whole House on the state of the Union.

Mr. KLEBERG: Committee on Agriculture. H. R. 4638. A bill authorizing the Secretary of Agriculture to prepare plans for the eradication and control of the pink bollworm, and for other purposes; with amendment (Rept. No. 709). Referred to the Committee of the Whole House on the state of the Union.

Mr. KLEBERG: Committee on Agriculture. H. R. 4637. A bill to amend section 243 of the Penal Code of the United States, as amended by the act of June 15, 1935 (49 Stat. 378), relating to the marking of packages containing wild animals and birds and parts thereof; without amendment (Rept. No. 710). Referred to the House Calendar.

Mr. CELLER: Committee on the Judiciary. H. R. 5988. A bill to amend an act entitled "An act to require the registration of certain persons employed by agencies to disseminate propaganda in the United States, and for other purposes," approved June 8, 1938 (Public Law No. 583, 75th Cong., 3d sess.); with amendment (Rept. No. 711). Referred to the Committee of the Whole House on the state of the Union.

Mr. MASSINGALE: Committee on the Judiciary. H. R. 6135. A bill to regulate the times and places of holding court in Oklahoma; without amendment (Rept. No. 712). Referred to the Committee of the Whole House on the state of the Union.

Mr. DOXEY: Committee on Agriculture. H. R. 112. A bill to facilitate control of soil erosion and flood damage on lands within the Ozark and Ouachita National Forests in Arkansas; with amendment (Rept. No. 713). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN: Select Committee on Government Organization. Senate Joint Resolution 138. Joint resolution providing that reorganization plans Nos. I and II shall take effect on July 1, 1939; with amendment (Rept. No. 714). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII.

Mr. LESINSKI: Committee on Immigration and Naturalization. H. R. 6056. A bill for the relief of Antal or Anthony or Tony Zaicek or Zaiczek; with amendment (Rept. No. 705). Referred to the Committee of the Whole House.

Mr. MACIEJEWSKI: Committee on Immigration and Naturalization. H. R. 5494. A bill for the relief of John Marinis, Nicolaos Elias, Ihoanis or Jean Demetre Votsitsanos, and Michael Votsitsanos; without amendment (Rept. No. 706). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 4216) for the relief of Berthel Christopher; Committee on Claims discharged, and referred to the Committee on War Claims.

A bill (H. R. 5115) for the relief of Harry W. Lyle; Committee on Claims discharged, and referred to the Committee on War Claims.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BLAND:

H. R. 6572. A bill to amend the Merchant Marine Act, 1936, as amended, to provide for marine war-risk insurance and reinsurance and for marine risk reinsurance, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. CELLER:

H. R. 6573. A bill to provide for the appointment of a commission to study the Constitution of the United States and report to the Congress upon the desirability or undesirability of amending the same; to the Committee on Rules.

H. R. 6574. A bill to amend the Judicial Code; to the Committee on the Judiciary.

By Mr. ELLIOTT:

H. R. 6575. A bill to authorize and direct the adjustment of land ownership lines within the General Grant National Park, Calif., in order to protect equities established by possession arising in conformity with a certain survey, and for other purposes; to the Committee on the Public Lands.

By Mr. GROSS:

H. R. 6576. A bill authorizing the Secretary of Agriculture, in the interests of the public health and as a relief to the dairy industry of the country, to prepare and cause to be published a series of articles and advertisements promoting the consumption of milk and derivative dairy products; to the Committee on Agriculture.

By Mr. NICHOLS:

H. R. 6577. A bill to provide revenue for the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. STEFAN:

H. R. 6578. A bill granting the consent of Congress to Northern Natural Gas Co., of Delaware, to construct, maintain, and operate a pipe-line bridge across the Missouri River; to the Committee on Interstate and Foreign Commerce.

By Mr. THOMAS of Texas:

H. R. 6579. A bill to provide for the payment of old-age pensions; to the Committee on Ways and Means.

By Mr. VOORHIS of California:

H. R. 6580. A bill to provide for the refinancing of farm debts through the Federal Farm Mortgage Corporation, and for other purposes; to the Committee on Agriculture.

By Mr. WHITE of Idaho:

H. R. 6581. A bill to provide for furnishing to Members of Congress, at cost, newspaper mats of matter appearing in the CONGRESSIONAL RECORD, and for other purposes; to the Committee on Printing.

By Mr. HOPE:

H. R. 6582. A bill to amend the Federal Crop Insurance Act, as amended, providing for notes and security therefor in the payment of crop insurance premiums; to the Committee on Agriculture.

By Mr. KNUTSON:

H. R. 6583. A bill for the expenditure of funds for cooperation with the public-school board at Walker, Minn., for the construction, extension, equipment, and improvement of public-school facilities to be available to all Indian children of the district; to the Committee on Indian Affairs.

By Mr. MAAS:

H. R. 6584. A bill to extend the benefits of retirement for disability to all officers of the Navy and Marine Corps incapacitated during war as the result of an incident of the service, and for other purposes; to the Committee on Naval Affairs.

By Mr. ELLIOTT:

H. R. 6585. A bill to provide for the disposition of certain records of the United States Government; to the Committee on the Disposition of Executive Papers.

By Mr. SCHWERT:

H. R. 6586. A bill to provide for the necessary medical treatment for the service-connected disabilities of veterans while abroad, and for other purposes; to the Committee on World War Veterans' Legislation.

By Mr. DUNN:

H. R. 6587: A bill to provide a pension of $50 a month for men and women in the United States and its possessions who have attained the age of 50 years and whose incomes are less than $1,200 per annum; to the Committee on Appropriations.

By Mr. LUDLOW:

H. R. 6588. A bill to exempt from tax cigarettes distributed to veterans in veterans' hospitals; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BYRNE of New York:

H. R. 6589. A bill for the relief of the Home Insurance Co. of New York; to the Committee on Claims.

By Mr. CHIPERFIELD:

H. R. 6590. A bill granting an increase of pension to Nannie McClellan Chase; to the committee on Invalid Pensions.

By Mr. CURTIS:

H. R. 6591. A bill granting a pension to Gail Gordon; to the Committee on Pensions.

By Mr. DEMPSEY:

H. R. 6592. A bill for the relief of Montie S. Carlisle; to the Committee on Claims.

By Mr. DONDERO:

H. R. 6593. A bill for the relief of Karl F. Rindelhardt; to the Committee on Military Affairs.

By Mr. FAY:

H. R. 6594. A bill for the relief of Irving I. Chairman; to the Committee on Immigration and Naturalization.

H. R. 6595. A bill for the relief of James A. Schneider; to the Committee on the Civil Service.

By Mr. GREGORY:

H. R. 6596. A bill for the relief of W. B. Kennedy; to the Committee on Claims.

By Mr. HART:

H. R. 6597. A bill to promote Capt. James A. Healy, United States Army, retired, to the grade of colonel, United States Army, retired, with emoluments, including retired pay of that rank on retired list; to the Committee on Military Affairs.

By Mr. HAVENNER:

H. R. 6598. A bill for the relief of Charles H. Upton; to the Committee on Claims.

By Mr. JOHNSON of Indiana:

H. R. 6599. A bill for the relief of Nicholas Sevaljevick, now known as Nicholas Hornacky; to the Committee on Military Affairs.

By Mr. KEE:

H. R. 6600. A bill for the relief of Kelse H. Nestor; to the Committee on Claims.

By Mr. McARDLE:

H. R. 6601. A bill granting a pension to Martin Lavelle; to the Committee on Invalid Pensions.

By Mr. McCORMACK:

H. R. 6602. A bill for the relief of Sylvester Hodges; to the Committee on Naval Affairs.

H. R. 6603. A bill for the relief of Morris Gersony; to the Committee on Naval Affairs.

H. R. 6604. A bill for the relief of the estate of George B. Gates, deceased; to the Committee on Claims.

By Mr. PIERCE of New York:

H. R. 6605. A bill for the relief of Louis A. Charland; to the Committee on Claims.

By Mr. RANDOLPH:

H. R. 6606. A bill granting a pension to Golda Stump Darr; to the Committee on Pensions.

By Mr. REECE of Tennessee:

H. R. 6607. A bill granting a pension to Vennie Lee Parsons; to the Committee on World War Veterans' Legislation.

By Mr. REED of Illinois:

H. R. 6608. A bill for the relief of Earl C. Sanders; to the Committee on Military Affairs.

By Mr. SACKS:

H. R. 6609. A bill for the relief of Emil Huber; to the Committee on Immigration and Naturalization.

By Mr. SCHWERT:

H. R. 6610. A bill to correct the military record of John F. Urmanski; to the Committee on Military Affairs.

By Mr. SMITH of Maine:

H. R. 6611. A bill granting an increase of pension to Cornelia Hunton; to the Committee on Invalid Pensions.

By Mr. SWEENEY:

H. R. 6612. A bill for the relief of Ruth Jane Fleming; to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3395. By Mr. BARRY: Petition of the Long Island City Merchants' and Property Owners' League, Inc., concerning sugar legislation for 1939 and 1940; to the Committee on Ways and Means.

3396. Also, petition of the American Federation of Labor, urging the passage of certain amendments to the National Labor Relations Act; to the Committee on Labor.

3397. Also, petition of the Book and Magazine Guild, Local 18, United Office and Professional Workers of America, urging additional appropriation for Works Progress Administration; to the Committee on Appropriations.

3398. Also, petition of the United Textile Workers of America, urging Congress to enact the Martin wool-labeling bill (H. R. 944) at this session of Congress; to the Committee on Interstate and Foreign Commerce.

3399. Also, petition of the New York Joint Council of the United Office and Professional Workers of America, New York City, urging additional appropriation for Works Progress Administration; to the Committee on Appropriations.

3400. Also, petition of the Labor's Non-Partisan League, Washington, D. C., favoring the Casey bill (H. R. 6470); to the Committee on Appropriations.

3401. Also, petition of the United Federal Workers of America, favoring the passage of the Ramspeck bill (H. R. 960); to the Committee on the Civil Service.

3402. By Mr. CASE of South Dakota: Petition of George Gabe, Ben Catchbear, Luke Eagleman, Sr., John Distribute, and 29 other members of the Standing Rock Sioux Tribe of Indians of North and South Dakota, protesting against the passage of House bill 5409; to the Committee on Indian Affairs.

3403. Also, petition of C. E. Cahoon, D. H. McIntosh, George Green, and 417 other residents of Spearfish, S. Dak., urging consideration of the Townsend bill; to the Committee on Ways and Means.

3404. Also, petition of Edward Owl King, Douglas Benoist, Washington Little Shield, and 69 other members of the Sioux Tribe of the Cheyenne River Indian Reservation in South Dakota, protesting against the passage of House bill 5409; to the Committee on Indian Affairs.

3405. By Mr. DOWELL: Petition of 300 citizens, members of Townsend Club No. 9, Des Moines, Iowa, and other citizens of the Sixth Congressional District of the State of Iowa, urging active support and influence to bring about the passage of General Welfare Act (H. R. 2), known also as the Townsend national recovery plan bill; to the Committee on Ways and Means.

3406. Also, petition of 297 voters and citizens of the Sixth Congressional District and State of Iowa, urging active support and influence to bring about the passage of General Welfare Act (H. R. 2), known also as the Townsend national recovery plan bill, and further urging free discussion of this measure and of such amendments as may be offered; to the Committee on Ways and Means.

3407. Also, petition of 1,383 voters and citizens of the Sixth Congressional District and State of Iowa, urging active support and influence to bring about the passage of General Welfare Act (H. R. 2), known also as the Townsend national recovery plan bill, and further urging free discussion of this measure and of such amendments as may be offered; to the Committee on Ways and Means.

3408. By Mr. ENGLEBRIGHT: Senate Joint Resolution No. 9, relative to the baneful effects of a reciprocal-trade agreement between the United States of America and Venezuela; to the Committee on Foreign Affairs.

3409. Also, Senate Joint Resolution No. 5, relative to shipbuilding facilities on the Pacific coast; to the Committee on Appropriations.

3410. By Mr. GEARHART: Petition of Joe S. Chin, president, and S. Thomas Liu, secretary, of the Chinese Consolidated Benevolent Association, of Fresno, Calif., and 3,000 others, to end the traffic in war materials for use against Chinese people; to the Committee on Foreign Affairs.

3411. By Mr. GEYER of California: Resolution of the American Radio Telegraphists Association, of San Pedro, Calif., John A. Yurgionas, secretary, favoring the Geyer-Thomas amendment to the Neutrality Act; to the Committee on Foreign Affairs.

3412. Also, resolution of the American Radio Telegraphists Association, of San Pedro, Calif., John A. Yurgionas, secretary, favoring a universal 6-hour workday, time and a half for all time over 6 hours; to the Committee on Labor.

3413. By Mr. HARTER of New York: Petition of the Garden Center Institute of Buffalo, N. Y., protesting against the transfer to the Department of the Interior, conservation measures from the Biological Survey; to the Select Committee on Government Organization.

3414. By Mr. HAVENNER: Petitions of the Grand Council of the Grand Lodge of California, Order of Sons of Italy in America, urging that Congress adopt a joint resolution manifesting a spirit of friendship toward all nations and expressing the desire of the United States to cooperate impartially toward lasting world peace; that Congress request the President to invite England, France, Germany, and Italy to participate in a conference having for its object the settlement of all major disputes, with the United States acting as impartial mediator; that Congress reenact the present neutrality law without change; that Congress investigate the nature and sources of foreign influence and foreign propaganda in the United States calculated to arouse our hatred and suspicion of other nations and to involve us in European quarrels and wars; and that Congress provide the United States with adequate air, naval, and land forces so that we may continue to enjoy security from threats and attacks of any nation; to the Committee on Foreign Affairs.

3415. Also, petition of the Grand Parlor of the Native Sons of the Golden West, California, urging that the following creed, in the interests of national security and peace, be adopted by patriotic bodies: (1) We recognize the right of all sovereign nations to maintain such forms of government as they deem fit to maintain, and that it is a menace to the peace and safety of the United States for our nationals to organize attacks in this country upon the form of governments maintained by other peoples; (2) we assert that our Government ought not, openly or secretly, to give pledges of moral, financial, or physical support to other powers to be relied upon in the event of war or other emergencies, or to lead other powers to believe in advance of the fact, that we will take sides against them; (3) we reaffirm our faith in the Monroe Doctrine as an instrument of national policy; (4) we believe that the United States must be strong to be respected, and that our military and naval plans ought to be fully adequate to defend, at all times, the proper interests of the United States against any power or combination of powers; (5) above all, we believe that the development of the Nation's resources and its abundant blessings (owned by a free people who know the true meaning of human liberty) make the United States unique in world history and that we are, therefore, fully capable of defending ourselves against foreign aggressors while, at the same time, we assert to the world our friendliness and our abhorrence of war; and (6) finally, the United States recognizes clearly that the maintenance of peace, insofar as she is concerned, demands a combination of military strength and a strong national will to peace; to the Committee on Foreign Affairs.

3416. Also, petition of sundry voters of San Francisco, urging that the Seventy-sixth Congress enact the improved General Welfare Act (H. R. 11), thus relieving the suffering of our needy citizens over 60 years of age and providing prosperity for America and security for all at 60; to the Committee on Ways and Means.

3417. By Mr. HINSHAW: Petition of Nona Tubbs, of Pasadena, Calif., and 1,708 other citizens of southern California, urging the enactment of the General Welfare Act (H. R. 5620, H. R. 11 amended); to the Committee on Ways and Means.

3418. By Mr. KEE: Resolution of the Bluefield Post, No. 9, of the American Legion, Bluefield, W. Va., urging Congress to oppose the enactment of a bill designated as an act to promote the efficiency of the national defense; to the Committee on Military Affairs.

3419. By Mr. KEOGH: Petition of the Federal Bar Association of New York, New Jersey, and Connecticut, with reference to the Chandler bill (H. R. 4038) to amend section 373 of title 28 of the Code of Laws of the United States,

to prescribe certain requirements for the official conduct of United States judges; to the Committee on the Judiciary.

3420. Also, petition of the R. W. Rhodes Metaline Co., Inc., Long Island City, N. Y., concerning a revision of the tax laws; to the Committee on Ways and Means.

3421. Also, petition of the Amalgamated Clothing Workers of America, Local 54, Brooklyn, N. Y., concerning the Arends bill (H. R. 130), the Starnes bill (H. R. 3392), and the Smith bill (H. R. 5138); to the Committee on Immigration and Naturalization.

3422. Also, petition of the National Retail Lumber Dealers Association, Washington, D. C., concerning Federal Housing Administration activities; to the Committee on Banking and Currency.

3423. Also, petition of Florence C. R. Bushnell, secretary, American Citizens Committee, Brooklyn, N. Y., concerning the modification of the Communications Act of 1934; to the Committee on Interstate and Foreign Commerce.

3424. By Mr. KINZER: Petitions of 62 citizens of Lancaster County, Pa., favoring the passage of legislation which will stop the great advertising campaign for the sale of alcoholic beverages now going on by press and radio; to the Committee on the Judiciary.

3425. By Mr. McCORMACK: Memorial of the General Court of Massachusetts, memorializing Congress in favor of the continuation of Works Progress Administration projects; to the Committee on Appropriations.

3426. Also, memorial of the General Court of Massachusetts, memorializing Congress in favor of the passage of the antilynching bill, so called; to the Committee on the Judiciary.

3427. Also, petition of the Industrial Insurance Agents Union, Local No. 41, U. O. P. W. A., C. I. O., Gerald J. Connor, president, Boston, Mass., urging continuance of the Works Progress Administration projects; to the Committee on Appropriations.

3428. By Mr. MAHON: Petition of Mrs. Lon M. Davis and other members of the Floydada, Tex., 1922 Study Club, regarding peace legislation and keeping the United States out of war; to the Committee on Foreign Affairs.

3429. By Mr. MYERS: Petition of 46 Townsend Clubs of Philadelphia, Pa., and vicinity urging the enactment of House bill 2, the Townsend plan; to the Committee on Ways and Means.

3430. By Mr. PFEIFER: Petition of the National Retail Lumber Dealers Association, Washington, D. C., urging support of certain Federal Housing Act amendments; to the Committee on Appropriations.

3431. Also, petition of the American Citizens Committee, Brooklyn, N. Y., urging modification of the Communications Act of 1934; to the Committee on Interstate and Foreign Commerce.

3432. By Mr. RICH: Petition of sundry citizens of Potter County, Pa., favoring the passage of House bill 2 and Senate Resolution 3; to the Committee on Ways and Means.

3433. By Mr. ROMJUE: Petition of representatives of independent retail merchandising and local community life at Kirksville, Mo., urging the passage of House bill 1, the national retail chain-store tax bill; to the Committee on Interstate and Foreign Commerce.

3434. Also, petition of the board of directors of the Farmers Union Live Stock Commission, South St. Joseph, Mo., endorsing the Farmers Union domestic allotment plan in principle, guaranteeing the American market to the American farmer on an equal exchange value as compared to the average of all other industries, using the same basis as employed in industry for such price determination; to the Committee on Agriculture.

3435. By Mr. VAN ZANDT: Petition of Ida Witmer, of Wingate, Centre County, Pa., and 19 others, urging passage of legislation to restrict the advertising campaign for alcoholic beverages on the radio and in the press; to the Committee on Interstate and Foreign Commerce.

3436. Also, petition of the Honorable J. Harry Moser, mayor of the city of Altoona, Pa., on behalf of City Council of Altoona, opposing the construction of the Lake Erie-Ohio River Canal as an unnecessary expenditure of taxpayers' money; as benefiting only the industrial district of the Mahoning Valley; unnecessarily cause loss of revenue to railroads and result in railroad employees, coal miners, and workers in other industries being likewise affected and added to the unemployed of the country; to the Committee on Interstate and Foreign Commerce.

3437. Also, petition of Ruth C. Wilson, of Glen Richey, Pa., and 19 others, protesting against the advertising campaign in the press and on the radio of advertising alcoholic beverages and urging the passage of legislation to stop same; to the Committee on Interstate and Foreign Commerce.

3438. Also, petition of J. E. Holtzinger, president, and H. King MacFarlane, secretary, of the chamber of commerce, Altoona, Pa., protesting against the construction of a canal from the Ohio River to Lake Erie on the grounds that it will add $9 in taxes to every family in the United States; that the territory affected by this proposed canal has adequate railroad service which will be harmed unfairly and unjustly by this toll free canal; that such loss of revenue to railroads will call for thousands of employees to leave the railroad service and join the ranks of the unemployed, to be joined by many workers from the coal mines and other industries, while Youngstown, Ohio, is the only city to benefit by this proposed new canal; to the Committee on Ways and Means.

3439. Also, petition of Sarah A. Fisher and 19 others, of Wingate and Howard, Pa., protesting against the advertising campaign for alcoholic beverages being carried in the press and over the radio, and urging that legislation be enacted stopping these campaigns entirely; to the Committee on Interstate and Foreign Commerce.

3440. Also, petition of Anna B. Rockel, of Altoona, Pa., and 33 others, protesting against the advertising campaigns for alcoholic beverages in the press and on the radio, and urging the passage of legislation that such campaigns be stopped entirely; to the Committee on Interstate and Foreign Commerce.

3441. Also, petition of Mrs. L. B. Fickes, of Altoona, Pa., and 148 others, protesting against the advertising campaigns on the radio and in the press for alcoholic beverages, and urging the enactment of legislation stopping the same entirely; to the Committee on Interstate and Foreign Commerce.

3442. By the SPEAKER: Petition of W. Clare, of San Francisco, Calif., and others, petitioning consideration of their resolution with reference to Works Progress Administration appropriation deficiency; to the Committee on Appropriations.

3443. Also, petition of the United Fishermen's Union of the Pacific, San Francisco, Calif., petitioning consideration of their resolution with reference to House Joint Resolution 266 concerning Works Progress Administration appropriation; to the Committee on Appropriations.

SENATE

THURSDAY, JUNE 1, 1939

(Legislative day of Wednesday, May 31, 1939)

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

The Chaplain, Rev. ZeBarney T. Phillips, D. D., offered the following prayer:

O holy and merciful God, our Heavenly Father, who art the refuge of Thy children in every time of need: Hear us as we pray to Thee for guidance in all the experiences and circumstances of the ensuing day. Give us a strong sense of the mystery, wonder, and beauty of life, that, by our intuition, we may lay hold of the invisible world surrounding us and feel Thy constant presence encompassing us. Make us generous in thought, word, and deed; calm in judgment, refined in discernment; serene and gentle in our attitude toward others.

Give wings to our hopes and rest to our fears that, as children of Thy love, we may put away all pretense and meet each other face to face without pride or prejudice. Finally,