3850. Also, petition of the Labor Nonpartisan League, Washington, D. C., favoring House bill 6470, the Casey bill; to the Committee on Appropriations.

3851. Also, petition of the Ohio River Co., Cincinnati, Ohio, opposing Senate bill 2009, the Wheeler bill; to the Committee on Interstate and Foreign Commerce.

3852. By Mr. SWEENEY: Petition of American Citizens of Irish Lineage, New York City, concerning the arrest and imprisonment of Sean Russell; to the Committee on Immigration and Naturalization.

3853. By the SPEAKER: Petition of the city of Cleveland, Ohio, petitioning consideration of their resolution with reference to House bill 6470, for the relief of unemployment; to the Committee on Appropriations.

3854. Also, petition of the Regular Veterans' Association, Washington, D. C., petitioning consideration of their resolution with reference to House bill 5960, favoring the establishment of a national park on the site of the Battle of Franklin; to the Committee on the Public Lands.

SENATE

MONDAY, JUNE 19, 1939

(Legislative day of Thursday, June 15, 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:

Eternal Father, as we enter into Thy presence in this sanctuary of prayer to speak our inmost thoughts to Thine understanding heart: Make us conscious of the fact that there is a hidden dignity in our souls and a grandeur about our opportunities awaiting our discovery. Grant to us such insight and enthusiasm that the routine of our days, the unromantic duty, the dull task, the prosaic fellowship, even the whole order of existence, from which the hope of novelty has long since fled, may shine in wondrous light, as, with open eyes, we look into the heart of Thy law. Help us all in these momentous days to see our path and to love it; to be equal to life's highest possibilities; and, in finding Thee once more in our duty, may we also discover Thee in the range and richness and mastery of all our powers. We ask it in the name of Jesus Christ our Lord. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Thursday, June 15, 1939, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE DURING RECESS—ENROLLED BILLS AND JOINT RESOLUTION SIGNED

Under authority of the order of the 15th instant, the following message from the House of Representatives was received by the Secretary on June 16, 1939: That the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the Vice President:

H. R. 162. An act to make effective in the District Court for the Territory of Hawaii rules promulgated by the Supreme Court of the United States governing pleading, practice, and procedure in the district courts of the United States;

H. R. 312. An act for the relief of Roland P. Winstead;

H. R. 805. An act to extend further time for naturalization to alien veterans of the World War under the act approved May 25, 1932 (47 Stat. 165), to extend the same privileges to certain veterans of countries allied with the United States during the World War, and for other purposes;

H. R. 1363. An act for the relief of George Houston;

H. R. 2058. An act for the relief of Jessie Denning Van Eimeren, A. C. Van Eimeren, and Clara Adolph;

H. R. 2179. An act to ratify and confirm certain interest rates on loans made from the revolving fund authorized by section 6 of the Agricultural Marketing Act, approved June 15, 1929 (46 Stat. 11), and for other purposes;

H. R. 2200. An act to dispense with particular allegations as to renunciation of allegiance in petitions for naturalization and in the oath of renunciation of foreign allegiance, by omitting the name of "the prince, potentate, state, or sovereignty" of which the petitioner for naturalization is a subject or citizen;

H. R. 2251. An act for the relief of Russell Anderegg, a minor, and George W. Anderegg;

H. R. 2478. An act for the relief of the Wisconsin Milling Co. and Wisconsin Telephone Co.;

H. R. 2583. An act for the relief of A. W. Evans;

H. R. 2695. An act for the relief of Kenneth B. Clark;

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

H. R. 3077. An act for the relief of Adam Casper;

H. R. 3132. An act to authorize the disposal of cemetery lots;

H. R. 3367. An act to define the status of certain lands purchased for the Choctaw Indians, Mississippi;

H. R. 4084. An act to provide for the reimbursement of certain personnel or former personnel of the United States Navy and United States Marine Corps for the value of personal effects destroyed as a result of a fire at the marine barracks, Quantico, Va., on October 27, 1938;

H. R. 4745. An act relating to benefit assessments from condemnation proceedings for the opening, extension, widening, or straightening of alleys or minor streets;

H. R. 4940. An act to authorize the furnishing of steam from the central heating plant to the District of Columbia;

H. R. 5066. An act to amend the act entitled "An act to regulate proceedings in adoption in the District of Columbia," approved August 25, 1937;

H. R. 5436. An act to authorize the grant of a sewer right-of-way and operation of sewage-treatment plant on the Fort Niagara Military Reservation, N. Y., by the village of Youngstown, N. Y.;

H. R. 5474. An act to amend the Railroad Unemployment Insurance Act, approved June 25, 1938;

H. R. 5488. An act to provide for the widening of Wisconsin Avenue in the District of Columbia, and for other purposes;

H. R. 5680. An act to amend section 1 of the act entitled "An act to authorize the Philadelphia, Baltimore & Washington Railroad Co. to extend its present track connection with the United States navy yard so as to provide adequate railroad facilities in connection with the development of Buzzards Point as an industrial area in the District of Columbia, and for other purposes," approved June 18, 1932 (Public, No. 187, 72d Cong.);

H. R. 5801. An act to grant permission for the construction, maintenance, and use of a certain underground conduit for electrical lines in the District of Columbia;

H. R. 5933. An act for the relief of Frances Virginia McCloud;

H. R. 5934. An act for the relief of W. Elisabeth Deitz;

H. R. 5935. An act for the relief of Charlotte J. Gilbert;

H. R. 5966. An act to establish a Coast Guard Reserve to be composed of owners of motorboats and yachts;

H. R. 5987. An act to amend the District of Columbia Traffic Act of 1925 (43 Stat. 1119); 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.

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 insisted upon its amendment to the bill (S. 1796) to amend the Tennessee Valley Authority Act of 1933, disagreed to

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by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MAY, Mr. THOMASON, Mr. HARTER of Ohio, Mr. ANDREWS, and Mr. SHORT were appointed managers on the part of the House at the conference.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1569) to amend the Agricultural Adjustment Act of 1938, as amended.

The message further announced that the House had agreed to the concurrent resolution (S. Con. Res. 19) authorizing the printing of additional copies of House Document No. 272, current session, entitled "Message From the President of the United States transmitting a Report of the Bureau of Public Roads on the Feasibility of a System of Transcontinental Toll Roads and a Master Plan for Free Highway Development," with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed a joint resolution (H. J. Res. 326) making appropriations for work relief, relief, and to increase employment by providing loans and grants for public-works projects, for the fiscal year ending June 30, 1940, in which it requested the concurrence of the Senate.

CALL OF THE ROLL

Mr. MINTON. 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	Danaher	La Follette	Reynolds
Andrews	Davis	Lee	Russell
Ashurst	Donahey	Logan	Schwartz
Austin	Downey	Lucas	Schwellenbach
Bailey	Ellender	Lundeen	Sheppard
Bankhead	Frazier	McCarran	Shipstead
Barkley	George	McKellar	Slattery
Bilbo	Gerry	Maloney	Taft
Bone	Gillette	Mead	Thomas, Okla.
Borah	Guffey	Miller	Thomas, Utah
Bridges	Gurney	Minton	Tobey
Brown	Harrison	Murray	Townsend
Bulow	Hatch	Neely	Truman
Burke	Hayden	Norris	Tydings
Byrd	Hill	Nye	Vandenberg
Byrnes	Holman	O'Mahoney	Van Nuys
Capper	Holt	Overton	Wagner
Chavez	Hughes	Pepper	Walsh
Clark, Idaho	Johnson, Calif.	Pittman	Wheeler
Clark, Mo.	Johnson, Colo.	Radcliffe	White
Connally	King	Reed	Wiley

Mr. AUSTIN. I announce that the Senator from Oregon [Mr. MCNARY] is absent because of illness, and that the Senator from Massachusetts [Mr. LODGE] is absent on public business.

I ask that this announcement stand for the day.

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

The Senator from Arkansas [Mrs. CARAWAY] and the Senator from South Carolina [Mr. SMITH] are necessarily detained.

The Senator from Rhode Island [Mr. GREEN], the Senator from New York [Mr. MEAD], the Senator from New Jersey [Mr. SMATHERS], and the Senator from Tennessee [Mr. STEWART] are absent on important public business.

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

ANNUITIES FOR CIVILIANS EMPLOYED IN CONSTRUCTION OF PANAMA CANAL—VETO MESSAGE (S. DOC. NO. 84)

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read, and, with the accompanying bill, referred to the Committee on Interoceanic Canals and ordered to be printed:

To the Senate:

I am returning herewith, without my approval, S. 50, an act "To provide for recognizing the services rendered by civilian officers and employees in the construction and establishment of the Panama Canal and the Canal Zone."

This bill, while extending the thanks of Congress to certain employees of the Panama Canal and the Canal Zone for services performed during the construction period, is designed primarily to grant such employees, whether active or retired, who rendered at least 3 years' service during such period, an annuity of 2 percent of their average salaries for the highest five consecutive years of Isthmian service, multiplied by the total years of such service, not exceeding 30. These annuities would be effective upon the employees' reaching the compulsory retirement age; upon being retired by reason of disability; or upon being retired after 30 years' service on the Isthmus.

The present law, providing annuities to civilian employees in the Canal Zone, effective July 1, 1931, was enacted after careful consideration, and not only gives special benefits to employees in the Canal Zone as compared with civilian employees subject to the Civil Service Retirement Act, but also gives special recognition and additional benefits to employees who served in the Zone during the construction period. Such latter employees are entitled, under the present law, to an additional annuity of $36 for each year of construction service.

The Civil Service Commission, which is responsible for the administration of the Canal Zone Retirement Act, has informed me that it does not feel justified in recommending any further special recognition, by reason of service during the construction period, for this class of employees.

I appreciate the services rendered by these employees during the construction period, and it is with regret that I do not, for the reasons above stated, feel justified in giving this bill my approval.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *June 19, 1939.*

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the petition of Local No. 418, Farmers' Union, of Valier, Mont., favoring the prompt enactment of the bill (S. 2395) to amend the Agricultural Adjustment Act of 1938, as amended, which was referred to the Committee on Agriculture and Forestry.

He also laid before the Senate a resolution of Local No. 496 of the Minneapolis (Minn.) Federation of Adult Education Teachers, protesting against any curtailment of the W. P. A. program or its white-collar and professional projects, which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution adopted by the San Francisco (Calif.) Conference for Work and Security, protesting against the enactment of legislation depriving noncitizens of the right to work on Works Progress Administration projects, to deport certain noncitizens to concentration camps, etc., which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution of the San Francisco Conference for Work and Security and Local G-216, Workers' Alliance, both of San Francisco, Calif., favoring a deficiency appropriation for the Works Progress Administration of $50,000,000 for the remainder of the fiscal year ending June 30, 1939, and a sufficient appropriation to provide an average of 3,000,000 public-works jobs for the fiscal year beginning July 1, 1939, which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution adopted by the Independent Voters League, of Columbus, Ohio, favoring the appropriation of sufficient funds to prevent lay-offs in the Works Progress Administration, which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution of the Council of the City of Los Angeles, Calif., favoring continuation during the next fiscal year of the Works Progress Administration program conducted under the conditions and regulations now in force, which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution of the Workers' Project Association, New Orleans, La., favoring an impartial investigation of the administration of the Works Progress

Administration in Louisiana whereby certain practices complained of may be corrected, which was referred to the Committee on Appropriations.

He also laid before the Senate a resolution of the Chamber of Commerce of Aurora, Ill., favoring amendment of the National Labor Relations Act in several particulars at the present session of Congress, which was referred to the Committee on Education and Labor.

He also laid before the Senate a resolution of the Chamber of Commerce of Aurora, Ill., favoring the enactment of the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, with certain suggested amendments thereto, which was referred to the Committee on Finance.

He also laid before the Senate a resolution of the Chamber of Commerce of Aurora, Ill., making sundry suggestions relative to amendment of pending tax legislation, which was referred to the Committee on Finance.

He also laid before the Senate the petition of Mrs. Jacob Lucking and others, of Hastings, Minn., praying for the enactment of neutrality legislation to keep the United States out of foreign entanglements and war, which was referred to the Committee on Foreign Relations.

He also laid before the Senate the petition of F. A. Hepp, of Tiffin, Ohio, praying for the enactment of neutrality legislation to keep the United States clear of foreign entanglements, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a letter in the nature of a petition from the board of directors of the Children's Bureau, of Dallas, Tex., praying for the enactment of pending legislation to permit refugee children from Germany to enter the United States, which was referred to the Committee on Immigration.

He also laid before the Senate a letter in the nature of a memorial from the Adair County (Mo.) Ministerial Association, remonstrating against the enactment of the so-called Hobbs bill, relative to the sentencing of aliens who cannot be deported to concentration camps, which was referred to the Committee on Immigration.

He also laid before the Senate a resolution of Victory Lodge, No. 1233, Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, of Milwaukee, Wis., protesting against the enactment of the joint resolution (S. J. Res. 117) to provide for the pooling by railroads of their less-than-carload freight traffic, which was referred to the Committee on Interstate Commerce.

He also laid before the Senate letters in the nature of petitions from the executive board of the New York Public Library Staff Association, and Randolph G. Adams, of the William L. Clements Library, University of Michigan, Ann Arbor, Mich., praying for the confirmation of the nomination of Archibald MacLeish, of Connecticut, to be Librarian of Congress, which were referred to the Committee on the Library.

He also laid before the Senate letters in the nature of memorials from Margaret E. Quigley, Emerson Greenaway, and other members of the Fitchburg Public Library, of Fitchburg; J. L. Harrison, of the Forbes Library, of Northampton; and Hiller C. Wellman, librarian, City Library Association of Springfield, all in the State of Massachusetts, remonstrating against the confirmation of the nomination of Archibald MacLeish, of Connecticut, to be Librarian of Congress, which were referred to the Committee on the Library.

He also laid before the Senate a letter in the nature of a memorial from the Tulare County (Calif.) Farm Bureau, remonstrating against the enactment of legislation to create the Kings Canyon National Park in the State of California, which was referred to the Committee on Public Lands and Surveys.

He also laid before the Senate a resolution adopted by the executive committee, National Council of Administration, Regular Veterans' Association, Washington, D. C., favoring the enactment of pending legislation to establish a national park on the site of the Battle of Franklin in the State of Tennessee, which was referred to the Committee on Public Lands and Surveys.

He also laid before the Senate a resolution adopted by the Council of the City of Bethlehem, Pa., favoring the prompt enactment of the bill (S. 591) to amend the United States Housing Act of 1937, and for other purposes, which was ordered to lie on the table.

Mr. HOLT presented petitions of sundry organizations of Keyser, W. Va., praying for the establishment of a National Guard unit in Keyser, W. Va., which were referred to the Committee on Military Affairs.

He also presented a resolution of the Chamber of Commerce, of Huntington, W. Va., favoring the enactment of House Joint Resolution 304, to terminate the tax on bituminous coal, which was referred to the Committee on Finance.

He also presented a resolution of the Chamber of Commerce of Huntington, W. Va., protesting against the enactment of legislation to establish a Federal Mine Inspection Service, which was referred to the Committee on Mines and Mining.

Mr. WALSH presented petitions of sundry citizens of the State of Massachusetts, praying for the appropriation of adequate funds to continue the Federal arts and so-called white-collar projects under the Works Progress Administration, which were referred to the Committee on Appropriations.

He also presented petitions of sundry citizens of the State of Massachusetts, praying that the United States do not participate in alleged Japanese aggressions, which were referred to the Committee on Foreign Relations.

He also presented petitions of sundry citizens of the State of Massachusetts, praying for the enactment of neutrality legislation to keep the United States out of war, which were referred to the Committee on Foreign Relations.

SUSPENSION OF IMMIGRATION

Mr. REYNOLDS presented a resolution of the Lions Club, of Tallahassee, Fla., which was referred to the Committee on Immigration and ordered to be printed in the RECORD, as follows:

Whereas the Honorable ROBERT R. REYNOLDS, United States Senator from North Carolina, has introduced or is about to introduce into the Congress of the United States measures to suspend all immigration to this country for a period of 10 years, or until every unemployed American is back at work, to deport every alien criminal in the United States and to require compulsory registration and fingerprinting of all aliens; and

Whereas at the present time there are several hundred thousand war veterans registered with employment officers throughout the country and who are seeking jobs which they are unable to find; and

Whereas it is deemed essential that every effort possible be made to relieve the unemployment situation in this country; and

Whereas the immigration of aliens to this country has, among other things, caused a large increase in the ranks of the unemployed and a large increase in crime, and has materially lowered the standard of living of our people; and

Whereas one of the most effective ways to cope with this undesirable situation is to suspend all immigration for a period of 10 years, or until every unemployed American is back at work, and deport all alien criminals, and to require the registration and fingerprinting of all aliens within the country: Now, therefore, be it

Resolved by the Lions Club of Tallahassee, Fla.:

1. That the bill which has been or will be shortly introduced in Congress by the Honorable ROBERT R. REYNOLDS, United States Senator from North Carolina, to suspend all immigration to this country for a period of 10 years, or until every unemployed American is back at work, to deport all alien criminals in America, and to require the compulsory registration and fingerprinting of all aliens, be, and the same is hereby approved;

2. That the Honorable ROBERT R. REYNOLDS, United States Senator from North Carolina, be commended for his foresight and patriotism in sponsoring the above-mentioned measures; and

3. That a copy of this resolution be furnished to the following persons: Hon. ROBERT R. REYNOLDS, United States Senator from North Carolina; Hon. CLAUDE PEPPER and Hon. C. O. ANDREWS, United States Senators from Florida, and to each Member of the House of Representatives in the Congress from Florida.

REPORT OF BOARD OF VISITORS TO MILITARY ACADEMY

Mr. SHEPPARD. Mr. President, I present the report of the Board of Visitors from the Senate Committee on Military Affairs to the United States Military Academy and ask that it be published at this point in the RECORD.

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

JUNE 16, 1939.

The Honorable MORRIS SHEPPARD,
Chairman, Committee on Military Affairs,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: Under authority contained in act of May 17, 1928, the following Senators were appointed members of the Board of Visitors to the United States Military Academy, Seventy-sixth Congress, first session: HARRY H. SCHWARTZ, LISTER HILL, BENNETT CHAMP CLARK of Missouri, WARREN R. AUSTIN, RUFUS C. HOLMAN.

Senators SCHWARTZ, AUSTIN, and HOLMAN visited the academy on April 28, 1939. Due to a prior engagement and illness, Senators HILL and CLARK were unable to accompany the Board.

The Board arrived at West Point at 9:30 a. m., April 28, and were met at Thayer Gate by the Superintendent, Brig. Gen. Jay L. Benedict, United States Army. As the party proceeded to post headquarters, the official salute of 17 guns was fired. At post headquarters additional honors were given the Board by the Second Squadron, Tenth Cavalry, and the United States Military Academy Band. The Senators were then escorted to the Superintendent's office, where the members of the academic board and administrative staff were met. An inspection of the headquarters offices and building, other buildings, and grounds followed.

INFORMATION REGARDING THE ACADEMY

The United States Military Academy is an institution established by the Government for the practical and theoretical training of young men for the military service. Cadets are given a comprehensive and general education of collegiate grade and a sufficient basic military education and training to enable them to pursue their careers as officers of the Army. Supervision of the Military Academy is vested by law in the War Department, under such officers as the Secretary of War may select.

Entrance requirements: Cadets on entrance must never have been married, must be between 17 and 22 years of age, citizens of the United States, physically qualified, and meet the educational qualifications.

Course: The course of study and training covers 4 years; the academic year, September 1 to June 4; the remainder of the year is spent in camp and devoted to military training. At the end of his second year at the academy a cadet is granted a furlough for about 10 weeks, which, outside of a few days during Christmas week of his second, third, and fourth years, is the only extended vacation he receives. Upon graduation he may be appointed as a second lieutenant in the Army.

Authorized number of cadets: Act of June 7, 1935, authorizes 1,960 cadets in number and from sources as follows:

6 from each State at large	288
3 from each congressional district	1,305
3 from each Territory (Hawaii and Alaska)	6
5 from the District of Columbia	5
3 from natives of Puerto Rico	3
1 from Panama Canal Zone	1
172 from the United States at large (of these 3 are appointed by the Vice President, 40 are selected from honor military schools, and 40 from sons of veterans who were killed or died prior to July 2, 1921, of wounds or disease contracted during World War)	172
180 from among the enlisted men of the Regular Army and of the National Guard, in number as nearly equal as practical	180
Total	1,960

Present enrollment of the corps of cadets

Sources of appointments	Authorized strength	Strength on Apr. 28, 1939
Senators (96)	288	274
Congressmen (435)	1,305	1,150
President	89	88
Vice President	3	3
Regular Army [1]	90	88
National Guard [1]	90	88
District of Columbia	5	5
Territories (2)	6	4
Puerto Rico	3	2
Honor schools	40	37
Sons of officers died in World War	20	11
Sons of enlisted men died in World War	20	12
Panama Canal Zone (sons of civilians)	1	1
Total	1,960	1,763
Philippine Islands (native Filipinos)	4	4
Total	1,964	1,767
Foreign cadets (Ecuador)		3
Total		1,770

First class	457
Second class	452
Third class	443
Fourth class	418
Total	1,770

[1] The Regular Army and National Guard, combined, are authorized a total strength of 180, "in numbers as nearly equal as possible."

Authorized number of cadets: Of the 1,960 cadets authorized, it was brought to the attention of the Board that the allotted number of 40 authorized for appointment from sons of officers and enlisted men who died in the World War has not been filled and that in the near future there will be no applicants under this category and that this allotment of 40 should be reallocated to other sources of appointment in order that the maximum capacity of the academy might be reached.

PROGRAM OF INSTRUCTION AND COURSE OF STUDIES

Program of the course of instruction:

First term, September 1 to December 23; 95 periods with Saturday recitations and 80 periods without Saturday recitations.

Second term, January 2 to June 4; 130 periods with Saturday recitations and 109 periods without Saturday recitations.

Semiannual examination, December 26 to 31.

Annual examination, June 5 to 12.

Academic day, 7:55 a. m. to 11:55 a. m. and 1 p. m. to 3 p. m.

Military exercises, all classes, from 3:15 p. m. to 4:15 p. m.

Supervised athletics, from 3:15 p. m. to 4:25 p. m.

Voluntary study hour and additional instruction, 5:10 to 6:10 p. m.

Class and subject	Attendance	Part	Hours
Fourth (first year):			
Mathematics	Whole class daily	Half	7:55 to 9:20 Sept. 1 to Jan. 31.
Do	do	do	9:30 to 10:55 Sept. 1 to Jan. 31.
Do	do	do	7:55 to 9:15 Feb. 1 to June 4.
Do	do	do	10:35 to 11:55 Feb. 1 to June 4.
Gymnasium	do	do	9:20 to 10:05 Sept. 1 to Jan. 31.
Do	do	do	10:55 to 11:40 Sept. 1 to Jan. 31.
Do	Half class daily alternating in attendance with drawing Feb. 1 to June 4.	Fourth	8:30 to 9:15 Feb. 1 to June 4.
Do	do	do	9:15 to 10:00 Feb. 1 to June 4.
Drawing	Half class daily alternating in attendance with gymnasium Feb. 1 to June 4.	do	7:55 to 9:15 Feb. 1 to June 4.
Do	do	do	9:55 to 11:15 Feb. 1 to June 4.
Laboratory	When ordered, half class daily alternating in attendance with gymnasium Feb. 1 to June 4.	do	7:55 to 9:55, Feb. 1 to June 4.
Do	do	do	9:55 to 11:55, Feb. 1 to June 4.
French	Half class daily except Saturday alternating in attendance with English.	do	1:00 to 2:00.
Do	do	do	2:00 to 3:00.
English	Half class daily except Saturday alternating in attendance with French.	do	1:00 to 2:00.
Do	do	do	1:00 to 2:00.
Third (second year):			
Mathematics	Half class daily alternating in attendance with physics.	do	7:55 to 9:15.
Do	do	do	10:35 to 11:55.
Physics	Half class daily alternating in attendance with mathematics.	do	7:55 to 9:15.
Do	do	do	10:35 to 11:55.
Laboratory	When ordered, half class daily alternating in attendance with mathematics.	do	7:55 to 9:50.
Do	do	do	10:00 to 11:55.
History	Half class daily alternating in attendance with French.	do	7:55 to 9:05.
Do	do	do	10:45 to 11:55.
French	Half class daily alternating in attendance with history.	do	7:55 to 9:05.
Do	do	do	10:45 to 11:55.
English	Half class daily except Saturday alternating in attendance with drawing.	do	1:00 to 2:00.
Do	do	do	2:00 to 3:00.
Drawing	Half class daily except Saturday alternating in attendance with English.	Half	1:00 to 3:00.
Second (third year):			
Philosophy	Whole class daily	do	7:55 to 9:15.
Do	do	do	10:35 to 11:55.
Laboratory	As ordered	As ordered	7:55 to 9:50.
Do	do	do	10:00 to 11:55.
Chemistry and electricity.	Whole class daily	Half	7:55 to 9:15.
Do	do	do	10:35 to 11:55.
Laboratory	As ordered	As ordered	7:55 to 9:50.
Do	do	do	10:00 to 11:55.
Spanish	Half class daily except Saturday alternating in attendance with drawing Sept. 1 to Jan. 31; and with tactics Feb. 1 to June 4.	Fourth	1:00 to 2:00.
Do	do	do	2:00 to 3:00.
Drawing	Half class daily except Saturday till Jan. 31, alternating with Spanish.	Half	1:00 to 3:00.

Class and subject	Attendance	Part	Hours
Second (third year)—Con.			
Tactics	Half class daily except Saturday Feb. 1 to June 4, alternating with Spanish.	Fourth	1:00 to 2:00.
Do	do	do	2:00 to 3:00.
First (fourth year):			
Engineering	Whole class daily	Half	7:55 to 9:15.
Do	do	do	10:35 to 11:55.
Ordnance and gunnery.	Half class daily alternating with economics and government.	Fourth	7:55 to 9:05.
Do	do	do	10:45 to 11:55.
Laboratory	As ordered	As ordered	7:55 to 9:50.
Do	do	do	10:00 to 11:55.
Economics and government.	Half class daily except last 28 days of spring term (see Hygiene).	Fourth	7:55 to 9:05.
Do	do	do	10:45 to 11:55.
Hygiene	Replaces economics and government for last 28 days of spring term. Replaces tactics for 16 periods beginning about Jan. 17.	do	7:55 to 9:05.
Do	do	do	10:45 to 11:55.
Law	Half class daily except Saturday alternating in attendance with tactics and riding.	do	1:00 to 2:00.
Do	do	do	2:00 to 3:00.
Tactics and riding.	Half class daily except Saturday alternating in attendance with law.	do	1:00 to 2:00.
Do	do	do	2:00 to 3:00.

Riding periods are 50 minutes each. For lectures and practical exercises in the afternoon periods, replacing the assigned recitation periods, law has half class from 1:45 to 3:00. For applicatory instruction in section room without study preparation the class attends in halves in law or tactics from 1:00 to 3:00.

Schedule of calls in barracks Dec. 1 to Apr. 30

(First call 5 minutes before assembly except for reveille and evening call to quarters when first call is 10 minutes before assembly)

Reveille roll call, week days, assembly	6:00 a. m.
Sundays and holidays, assembly	7:00 a. m.
Police call, week days	6:20 a. m.
Sundays and holidays	7:20 a. m.
Breakfast roll call, week days, assembly	6:30 a. m.
Sundays and holidays, assembly	7:30 a. m.
Sick call—immediately after breakfast at Washington Hall.	
Call to quarters, daily, except Sundays and holidays	7:15 a. m.
Week days, except Saturdays	1:00 p. m.
Daily	7:15 p. m.
Dinner roll call, daily, except Sundays and holidays, assembly	12:10 p. m.
Sundays and holidays, assembly	12:30 p. m.
Review and inspection, Saturdays, inspection only in inclement weather, assembly	1:10 p. m.
Formal guard mounting when review is held, assembly 10 minutes after dismissal of last company from inspection (informal when no review).	
Release from quarters, daily, except Saturdays, Sundays, and holidays	3:00 p. m.
Drill, daily, except Wednesdays, Saturdays, Sundays, and holidays, assembly	3:15 p. m.
Recall from drill	4:15 p. m.
Retreat	4:15 p. m.
Supper, daily	6:20 p. m.
Tattoo, daily	9:30 p. m.
Taps, first	10:00 p. m.
Taps, second	10:30 p. m.
On occasions of general entertainment, first taps will be sounded 20 minutes after the close of the event and second taps 30 minutes after first taps.	
Church on Sundays:	
Catholic chapel, assembly	7:30 a. m.
Early cadet chapel, 1 battalion	8:35 a. m.
Cadet chapel Sunday-school teachers, assembly	9:15 a. m.
Cadet chapel choir, second, third, and fourth classes	9:25 a. m.
Cadet chapel choir, first class	9:50 a. m.
Cadet chapel, assembly	10:40 a. m.

Effective at reveille, Apr. 30, 1939, the following hours for assembly for roll calls and other duties of cadets, except academic duties and instruction went into effect

IN BARRACKS

	Week days	Saturdays	Sundays	Holidays
First call 5 minutes before assembly, except for reveille and evening call to quarters when first call is 10 minutes before assembly.				
Reveille	6:00 a. m	6:00 a. m.	7:00 a. m.	7:00 a. m.
Police call	6:20 a. m.	6:20 a. m.	7:20 a. m.	7:20 a. m.

Effective at reveille, Apr. 30, 1939, the following hours for assembly for roll calls and other duties of cadets, except academic duties and instruction went into effect—Continued

	Week days	Saturdays	Sundays	Holidays
Breakfast	6:30 a. m.	6:30 a. m.	7:30 a. m.	7:30 a. m.
Sick call: Immediately after breakfast at Washington Hall.				
Call to quarters	7:15 a. m.	7:15 a. m.		
	1:00 p. m.			
	7:15 p. m.	7:15 p. m.	7:15 p. m.	7:15 p. m.
Dinner	12:10 p. m.	12:10 p. m.	12:30 p. m.	12:30 p. m.
Review and inspection (inspection only in inclement weather)		1:10 p. m.		
Guard mounting when review is held, assembly 10 minutes after dismissal of last company from inspection.				
Release from quarters	3:00 p. m.			
Drill, except Wednesdays	3:15 p. m.			
Recall from drill	4:15 p. m.			
Parade, except Wednesdays	4:35 p. m.			
Parade			5:30 p. m.	
Retreat, when no parade	5:30 p. m.	5:30 p. m.	5:30 p. m.	5:30 p. m.
Supper	6:20 p. m.	6:20 p. m.	6:20 p. m.	6:20 p. m.
Tattoo	9:30 p. m.	9:30 p. m.	9:30 p. m.	9:30 p. m.
Taps:				
First	10:00 p. m.	10:00 p. m.	10:00 p. m.	10:00 p. m.
Second	10:30 p. m.	10:30 p. m.	10:30 p. m.	10.30 p. m.
On occasions of general entertainment, first taps will be sounded 20 minutes after the close of the event and second taps 30 minutes after first taps.				
Church on Sundays:				
Catholic chapel			7:30 a. m.	
Jewish chapel			7:30 a. m.	
Early Cadet chapel (3 companies)			8:35 a. m.	
Sunday-school teachers			8:35 a. m.	
Choir (A squad)			9:25 a. m.	
Choir (B squad)			10:15 a. m.	
Cadet chapel			10:40 a. m.	

Pay, uniform, and supplies: The pay of a cadet is $780 per year and commutation of rations at 75 cents per day, a total of $1,053.75. Upon admission, a cadet deposits $300. This amount, together with his salary, is sufficient to meet his actual needs at the academy. Cadets are required to wear the prescribed uniform. All articles of their uniform and equipment, including bedding, shoes, and underwear, are of a designated pattern and are sold to cadets at regulated prices.

Academic duties: There are two terms of academic instruction: September 1 to December 23, and January 2 to June 4. A semi-annual examination is held December 26 to 31, and an annual examination June 5 to 12. At the December examination cadets who are found to be proficient in subjects they have completed during the preceding term are arranged according to merit in each subject. At the June examination they are similarly arranged and they are also assigned general standing in the class as determined by their standings in the various subjects. Cadets deficient in studies at any examination are discharged from the academy unless for special reasons the academic board recommends otherwise.

Total military personnel, United States Military Academy, as of midnight Apr. 26, 1939

Enlisted organizations	Strength today	Authorized detached enlisted men's list	Authorized staff troops	Authorized line troops
Medical and veterinary	99		100	
Eleventh Ordnance Service Company	50		50	
Detachment Quartermaster Corps	47		50	
Company E, Twenty-second Quartermaster Regiment	52		50	
Company A, Thirty-third Quartermaster Regiment	17		18	
Second Squadron, Tenth Cavalry	228			229
U. S. Military Academy Air Corps detachment	14			14
Staff, noncommissioned officers	9	9		
U. S. Military Academy Band	67	68		
Field music detachment	29	29		
Engineer detachment	96	95		
Service detachment	220	220		
Field Artillery detachment	198	188		
Coast Artillery detachment	32	30		
Military Police detachment	71	72		
Signal detachment	38	37		
Total	1,267	748	268	243

Authorized strength:	
Staff Corps	268
Detached enlisted men's list	748
Line organizations	243
Total authorized enlisted strength	1,259
Authorized strength, U. S. Corps of Cadets	1,960

SUMMARY—ACTUAL STRENGTH

Officers	[1] 288
Cadets	1,770
Nurses	12
Warrant officers	2
Civilian instructors	8
Teacher of music	1
Civilian chaplain	1
Enlisted men	1,267
Attached enlisted (from H Troop, Tenth Cavalry)	1
Aggregate	3,350
Public animals	
Cavalry horses	243
Cavalry mule	1
Field Artillery horses	108
Field Artillery mules	3
Total public animals	355

[1] The actual officer strength includes 2 constructing Quartermaster officers; 5 language students abroad; 1 retired officer on active duty as librarian, United States Military Academy; and 1 aide-de-camp, which are not charged to the authorized strength of 279.

COMMENTS OF BOARD

The Board appreciates that a visit of 1 day, with hurried inspections, and a limited time for conference, did not fully qualify the members to speak authoritatively on matters pertaining to the academy. What the Board did see and hear is still vivid in their memory and they were favorably impressed with the administration of the academy as carried on by the present Superintendent.

Buildings and grounds: The buildings and grounds of the academy are maintained at a high standard and at a minimum cost. Construction of buildings has been confined mostly to stone and are fireproof. The style of architecture, the location of buildings, and arrangement of the grounds impresses everyone with its beauty.

ACQUISITION OF ADDITIONAL LANDS

Acquisition of 15,000 acres of land for the expansion of the West Point Military Reservation was authorized by act of March 31, 1931, and funds for this purpose were appropriated in the fiscal years 1937 and 1938.

Located within the area originally considered for acquisition are several areas of approximately 966.53 acres of land, more or less, under the control of the Palisades Interstate Park Commission, which the Government desires to transfer to the West Point Military Reservation, and in exchange therefor 302 acres now part of the West Point Military Reservation, to be transferred to the Palisades Interstate Park Commission as partial payment for the 966.53 acres of land. The value of the 966.53 acres for the purpose of exchange is $43,916.21 and the value of the 302 acres is $19,695.01.

The Palisades Interstate Park Commission is a joint corporate instrumentality of the States of New York and New Jersey, and the legislatures of both these States have passed enabling legislation authorizing the conveyance of park lands to the United States.

The 302 acres now belonging to the military reservation can be readily spared, providing the War Department retains full control of the waters of Popolopen Creek, which is entirely agreeable to the park commission. This acreage comprises a portion of a tract segregated from and at a considerable distance from West Point proper, and protection from forest fires and preservation of wildlife thereon have always been more or less difficult matters of administration for the West Point authorities.

In the exchange of these parcels of land the Federal Government has introduced H. R. 3131, which proposes to authorize the Secretary of War to act in this contemplated exchange.

Upon return of the visiting committee to Washington, it advised the Senate Military Affairs Committee that they approved the proposed exchange of land.

THE CADET LAUNDRY

The authorities at the academy brought to our attention the obsolescence and inadequacy of the cadet laundry. It is estimated that it would cost about $290,000 to rehabilitate this laundry unit and enlarge it to present cadet needs. This cost includes $150,000 for an additional building and a new power plant and $140,000 to modernize the laundry machinery.

General Benedict, Superintendent of the Academy, at our request submitted the following more detailed information in reference to the present laundry and actual need for enlargement, advising, however, that specific recommendation for legislation was for the War Department.

"The plant is 21 years old, having been constructed from appropriated funds in 1918. Most of the machinery was installed at Government expense during the period 1918 to 1921, inclusive. Since that time no Government funds have been appropriated for the upkeep or improvement of the laundry. This work, except for routine building repairs, has been taken care of out of receipts which come almost entirely from cadet patrons.

"The obsolescence of the material is due to its age, as indicated in the preceding paragraph. Much of the present machinery is more than 20 years old. It is inefficient, there are frequent delays from break-downs, and the quality of work cannot be maintained at modern standards.

"The capacity of the plant to meet current demands is below that necessary for efficient operation. The laundry was planned when the strength of the corps was one-half of what it is today. With the increase in the Corps of Cadets there has been a corresponding increase in the whole plant at West Point, causing a corresponding increase in the laundry work done for officers, the hospital, and the cadet mess.

"The plant is badly overloaded. The building is too small. There are not sufficient toilets and washrooms for the personnel. There is no rest room nor is there a place to provide tables at which the personnel can eat their lunches. The available floor space is overloaded with machinery, making it necessary to fill aisle ways with trucks of laundry. The power plant is antiquated, and, although modernized with new grates and driven to capacity, it fails to furnish enough steam to operate the necessary laundry machinery, causing considerable loss of time.

"The modernization of the power plant, the addition to the present building, and the installation of modern machinery will reduce the operating cost approximately 20 percent, or $20,000 a year, by savings in coal, elimination of a second shift, increase in output, and saving in repairs and overtime labor."

ORDNANCE COMPOUND AND PERSONNEL

Enlisted men of the ordnance detachment at the academy now live in very close quarters, and your committee was informed that these quarters do not have the space prescribed by Army regulations. At our request the Superintendent submitted the following statement of plans and needs to remedy this situation:

"The old ordnance compound was constructed in 1840 and is one of the old landmarks at West Point. In the compound are the shops for the maintenance of ordnance matériel on the post, the laboratory for the practical instruction of cadets in ordnance, and the sleeping and messing quarters for the enlisted members of the ordnance detachment. The expansion of the Cadet Corps has caused the compound, like so many of the other utilities on this post, to be very materially outgrown. The plumbing in the compound is antiquated, and the bathing and toilet facilities are wholly inadequate. However, the new ordnance and engineering laboratory, which is nearly completed, will furnish adequate space for the laboratory and shop requirements. The compound will thus be relieved of the necessity of providing any space except for the administration, quartering, and messing of the detachment personnel. Before this can be done, material changes will be necessary to convert the shops into living quarters, and to provide adequate kitchen, messing, recreation, and toilet facilities. The present heating plant is insufficient to provide for the entire compound, and an extension to the steam tunnel which runs from the post powerhouse to the new laboratory, will have to be made. Partitions, floors, doors, new windows, etc., make up the remainder of the remodeling project. The only other means of providing these accommodations would be by constructing new barracks at considerably greater cost."

A NEW AUDITORIUM

In the course of our inspection at the academy your committee was impressed with the need for a large auditorium so designed as to be adapted to serve for (1) an additional memorial hall, (2) an auditorium adequate in size to accommodate the officers and Cadet Corps and their visitors, suitably appointed for motion pictures, lectures, dramatics, concerts, graduation exercises, etc., as well as a hall adequate in size and suitably equipped for cadet hops and entertainments requiring large floor space; for receptions and general gatherings of the post personnel. We speak only of this need, leaving to the Army and the Congress to consider how soon such building shall be provided. We are moved to this recommendation for the following reasons:

First. The beautiful building known as Cullum Memorial Hall (essentially an assembly hall with a small stage) was completed in 1896, erected with funds provided by the will of General Cullum. This building will, of course, continue to be maintained—to the extent of its capacity, for memorial purposes, with its wall inscriptions, trophies, flags, and memorial tablets portraying the deeds of our armies and Military Academy graduates and nongraduates up to and including the War between the States. Already the wall space is crowded. There is no room in this building for additional memorials related to those earlier wars or to the Spanish-American War and the World War. It seems most fitting that, in addition to its utilitarian purposes, the suggested new building should contain these additional memorials which will carry forward to our own time those silent testimonials of our armies' heroic dead which in Cullum Memorial Hall begin with Revolutionary days.

Second. Cullum Memorial Hall floor space is inadequate to accommodate present Cadet Corps and personnel (without mentioning visitors) as a theater, assembly hall, or for graduation exercises. The stage is small. Such necessary accommodation as seats, cloakrooms, and toilet facilities are absent. The lighting and ventilation are poorly adapted for such purposes; acoustics are poor. Using a single room for winter sports, a band concert, or moving-picture show, and a cadet hop, often within a single day by different classes, and necessitating placing and removing of chairs and benches is unsatisfactory and uneconomical. Let it be stated here that there is in probability no institution of higher education or technical training in America where hours of study and technical practical application are as long or as severe as those required of the Cadet Corps at West Point. This is due to

the necessity of completing the prescribed course in 4 years plus the ever-increasing technical demands of Army-officer education and preparation for actual duty. First-year cadets are permitted no vacation, and second-year classmen are allowed only a limited number of days off duty during Christmas holidays. In view of these facts, your committee is of opinion the social and cultural aspects of cadet life are of sufficient importance to be adequately provided for without recourse to those makeshift and unsatisfactory expedients which make a bad impression not only on cadets but upon the constantly increasing number of our citizens who visit the Military Academy.

At present, some of the more largely attended social and instructional meetings are of necessity held in the gymnasium's largest room. This gym room is without seats, gallery, or stage, or available cloakroom or toilet facilities. These latter needed accommodations may, indeed, be found engaged in athletic training or contests.

Inquiry discloses this needed new building is not now in the War Department construction program. We believe the War Department should submit to Congress a report on the need and uses for this additional building, a plan therefor, and an estimate of its cost.

Mess hall waiters: The waiters in the mess hall have been unclassified civil-service employees since 1922. However, in accordance with Executive Order No. 7916, dated June 24, 1938, they will be brought into the civil service as of February 1, 1939. Work has progressed on the project of blanketing these men into the civil service and the present status is as follows:

All employees in the mess hall who are entitled to civil-service classification have completed papers and these papers have been forwarded to the administrative assistant in Washington. About 25 of this group are not entitled to civil-service classification directly in view of the fact that they were not employees of the Government on February 1, 1939. The applications for examinations of this group have been forwarded to the district manager in New York City.

As soon as the foregoing work of classification has been completed, the waiters will be entitled to the 26-day annual leave and 15-day sick leave privileges which other civil-service employees enjoy. They also will be eligible for retirement under existing regulations. Funds have been requested by a deficiency appropriation for the 1940 Budget to permit leave replacements and to bring all waiters receiving less than $60 a month up to that figure. In the meantime it is believed that leave can be taken care of by close supervision in the mess.

Review of cadets: Due to inclement weather and wet field, it was not considered desirable for the corps to parade on the plain where reviews generally are held. However, a review for the Board was held in the quadrangle of the north barracks where the maneuvering space was limited and where it appeared to the Board impracticable to assemble 1,800 cadets. The review was an inspiring sight and the maneuvering of the companies upheld their reputation.

Academic work: The Board believes that the program of instruction and course of studies as now pursued at the academy meet all requirements at the present time. The keen interest and enthusiasm displayed by cadets in the laboratories and classrooms; their quick response and logical answers to problems and questions given them by instructors demonstrated the thoroughness and practicability of instruction.

Cadet mess: This activity gave evidence of careful and efficient management. Members of the Board were very much impressed with the system of accounting for stores in the storerooms and kitchen. Food stores are carefully accounted for when received, stored, and issued, thus insuring against loss and waste. The system enables the keeping of a perpetual inventory of stores on hand. The appearance of the kitchen, including the utensils and equipment, and the efficiency displayed by the cooks, bakers, and other assistants, gave evidence of careful supervision in the preparation of food. Waiters and other mess attendants were neat and clean in their attire. The food served at the noon meal was tasty and wholesome. The Board enjoyed the experience of having lunch with the cadets. After observing the corps assemble outside the mess hall and enter the building, each Senator was assigned to a table with nine cadets, including some from their respective States. Cadets normally are seated 10 to a table with an equal number from each class at a table. One civilian waiter serves the food for three tables and the service at the table is carried on by the cadets.

H. H. SCHWARTZ,
WARREN R. AUSTIN,
RUFUS C. HOLMAN,
Board.

REPORTS OF COMMITTEES

Mr. GILLETTE, from the Committee on Agriculture and Forestry, to which was referred the bill (H. R. 5625) to regulate interstate and foreign commerce in seeds; to require labeling, and to prevent misrepresentation of seeds in interstate commerce; to require certain standards with respect to certain imported seeds; and for other purposes, reported it without amendment and submitted a report (No. 611) thereon.

Mr. BANKHEAD, from the Committee on Agriculture and Forestry, to which was referred the joint resolution (H. J. Res. 247) to provide minimum national allotments for cotton, reported it with an amendment.

Mr. LOGAN, from the Committee on Military Affairs, to which was referred the bill (S. 507) to provide allowances for inactive-status training and for uniforms and equipment for certain officers of the Officers' Reserve Corps, reported it with amendments and submitted a report (No. 612) thereon.

Mr. HILL, from the Committee on Military Affairs, to which was referred the bill (S. 1672) authorizing the Secretary of War to permit Salt Lake City, Utah, to construct and maintain certain roads, streets, and boulevards across the Fort Douglas Military Reservation, reported it without amendment and submitted a report (No. 613) thereon.

Mr. HOLMAN, from the Committee on Military Affairs, to which was referred the bill (S. 2316) for the relief of Emil Navratil, reported it with an amendment and submitted a report (No. 614) thereon.

He also, from the same committee, to which was referred the bill (S. 2370) for the relief of Corinne W. Bienvenu (nee Corinne Wells), reported it without amendment and submitted a report (No. 626) thereon.

Mr. SLATTERY, from the Committee on Military Affairs, to which was referred the bill (S. 2467) authorizing cash relief for certain employees of the War and Navy Departments in the Canal Zone not coming within the provisions of the Civil Service Retirement Act, reported it without amendment and submitted a report (No. 615) thereon.

He also, from the same committee, to which was referred the bill (S. 2174) to provide for the appointment of James W. Grose as a sergeant, 1st class (master sergeant), United States Army, reported it with an amendment and submitted a report (No. 625) thereon.

Mr. WALSH, from the Committee on Education and Labor, to which was referred the bill (S. 1032) to amend the act entitled "An act to provide conditions for the purchase of supplies and the making of contracts by the United States," and for other purposes, reported it with an amendment and submitted a report (No. 616) thereon.

Mr. LUCAS, from the Committee on Agriculture and Forestry, to which was referred the joint resolution (H. J. Res. 248) to provide minimum national allotments for wheat, reported it without amendment.

Mr. BYRNES, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which was referred the resolution (S. Res. 95) directing a study of the telegraph industry in the United States (submitted by Mr. WHEELER on March 8, 1939), reported it with an additional amendment.

He also, from the same committee, to which was referred the resolution (S. Res. 131) to investigate the administration of J. Ross Eakin as superintendent of the Great Smoky Mountains National Park (submitted by Mr. MCKELLAR on May 16, 1939), reported it without additional amendment.

Mr. VAN NUYS, from the Committee on the Judiciary, to which were referred the following bill and joint resolution, reported them each without amendment and submitted reports thereon:

S. 521. A bill for the incorporation of the Ladies of the Grand Army of the Republic (Rept. No. 618); and

H. J. Res. 133. Joint resolution authorizing the President of the United States of America to proclaim October 11, 1939, General Pulaski's Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski (Rept. No. 619).

Mr. O'MAHONEY, from the Committee on Public Lands and Surveys, to which was referred the bill (S. 163) directing the Secretary of the Interior to issue to Albert W. Gabbey a patent to certain lands in the State of Wyoming, reported it without amendment and submitted a report (No. 620) thereon.

He also, from the same committee, to which was referred the bill (S. 878) to amend the act of August 26, 1937, reported

it with an amendment and submitted a report (No. 621) thereon.

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

S. 2227. A bill for the relief of John B. Jones (Rept. No. 622); and

H. R. 2310. A bill to provide national flags for the burial of honorably discharged former service men and women (Rept. No. 617).

Mr. GURNEY, from the Committee on Military Affairs, to which was referred the bill (S. 2336) to authorize an exchange of lands at the Fort Francis E. Warren Military Reservation, Wyo., reported it with an amendment and submitted a report (No. 623) thereon.

He also, from the same committee, to which was referred the bill (S. 1723) to correct the military record of George M. Ruby, reported it without amendment and submitted a report (No. 624) thereon.

Mr. THOMAS of Oklahoma, from the Committee on Indian Affairs, to which was referred the bill (H. R. 3796) to extend the period of restrictions on lands of the Quapaw Indians, Oklahoma, and for other purposes, reported it without amendment and submitted a report (No. 627) thereon.

Mr. SHIPSTEAD, from the Committee on Indian Affairs, to which was referred the bill (H. R. 3248) authorizing a per capita payment of $15 each to the members of the Red Lake Band of Chippewa Indians from the proceeds of the sale of timber and lumber on the Red Lake Reservation, reported it without amendment and submitted a report (No. 628) thereon.

SURVEY OF EXPERIENCES IN PROFIT SHARING AND POSSIBILITIES OF INCENTIVE TAXATION (REPT. NO. 610)

Mr. VANDENBERG. Mr. President, on behalf of the distinguished senior Senator from Iowa [Mr. HERRING], who is necessarily absent today, and on my own behalf, I submit the final report of the special Senate committee, a subcommittee of the Committee on Finance, which has spent the past 12 months investigating profit sharing and incentive taxation.

In this connection I wish to make a brief statement on my own account.

This investigation proceeded under the terms of a resolution of mine, Senate Resolution 215, Seventy-fifth Congress, which the Senate adopted 1 year ago. The Senator from Iowa [Mr. HERRING] was named chairman of the inquiry. I want to express my great personal gratitude to him for his splendid, sympathetic, and effective cooperation in pursuit of this quest. It has been scrupulously nonpartisan from start to finish. We have developed no profit-sharing panacea. We are specifically reporting that this country is too large and too complex, and its industry is entirely too diversified, to admit of any compulsory, standardized profit-sharing formula. But we have, for the first time, authentically mobilized the far-flung experience of American industry with various forms of profit sharing. We have found that under appropriate circumstances and attitudes profit-sharing systems between employers and employees are often making tremendously useful contributions to equitable and pacific employment relationships and to wholesome commercial democracy. We have found that there is a vast opportunity for the helpful expansion of the profit-sharing ideal. It deserves every possible encouragement.

We submit to the Senate, pursuant to its instructions, our complete report, representing many weeks of hearings and many months of analysis. We also submit the report to American industry and business for their enlightened study and for their voluntary use in the intelligent pursuit of happier, more equitable, and more efficient employee relationships.

I ask that the report, and its accompanying hearings, may be appropriately filed and printed, with illustrations.

The VICE PRESIDENT. Without objection, the report will be received, filed, and printed, with illustrations.

Mr. VANDENBERG. In this connection I ask that there be printed in the RECORD the joint statement made by the Senator from Iowa [Mr. HERRING] and myself, which is found in the first six pages of the report.

The VICE PRESIDENT. Is there objection? The Chair hears none.

The statement is as follows:

AUTHORITY AND OBJECTIVES OF THIS SURVEY

The Senate of the United States, in the third session, Seventy-fifth Congress, adopted Senate Resolution 215, introduced by Senator ARTHUR H. VANDENBERG, of Michigan, the preamble of which stated:

"Whereas the maintenance of the profit system is essential to the preservation of the competitive capitalistic system under which the United States has attained the largest measure of general economic welfare enjoyed by any people in the world; and

"Whereas the exploration of all available means for extending the direct benefits of the profit system to the largest possible number of citizens is highly desirable and important."

The resolution authorized and directed a complete study of all existing profit-sharing systems, between employers and employees, now operative in the United States with a special view—

"(a) to the preparation of an authentic record of experience which may be consulted by employers who are interested in voluntarily establishing profit-sharing plans;

"(b) to the consideration of what advisable contribution, if any, may be made to the encouragement of profit sharing by the Federal Government, including the grant of compensatory tax exemptions and tax rewards when profit sharing is voluntarily established;

"(c) to the consideration of any other recommendations which may prove desirable in pursuit of these objectives."

This committee has concluded the labors assigned to it and submits the following committee report together with statistical tables, industrial charts, and other material prepared by the committee staff. It takes no responsibility for the staff report which is presented solely in the nature of testimony, just as the free testimony of other witnesses is presented.

Particular attention is called to the authoritative résumé of the facts with regard to the history of profit sharing, which was made a part of the hearings of this committee, and therefore is not reproduced in the present text, although valuable and worthy of thoughtful consideration.

In interpreting the data and appraising the value of the factual material herein presented, it is of first importance to remember that the statistical tables and industrial charts are to be construed merely as providing a dependable gage as to various and probable results, and while prepared with great care from reliable sources of information, they are often subject to the usual limitations of all statistics. As used, the data are intended to be illustrative of relative changes in the factors discussed rather than absolute measures of the values expressed.

Under authority of Senate Resolution 215, we have undertaken a limited but thorough investigation of businesses throughout the United States having industrial relations policies with profit sharing and other extra compensation and employee benefit plans.

The appropriation for the survey was insufficient to undertake a canvass of each of the estimated 2,000,000 businesses throughout the country. While our research has thus been limited, we cannot feel justified in seeking an additional appropriation, which, if granted and expended, could only augment the statistical and other factual data already available, and confirm, from a wider investigation of business enterprises, the facts herein presented.

The results are sufficiently tangible and cover enough businesses in various types of industry to justify, we believe, drawing certain definite conclusions with respect to industry generally, and the further conclusion that the experience of those concerns, which we have thoroughly investigated serves as a dependable yardstick by which like businesses having somewhat similar conditions may be measured.

The survey was conducted in a spirit of mutual helpfulness without the issuance of a single subpena, or recourse to any arbitrary means to secure the necessary information.

No authentic list of profit-sharing concerns being available beyond the few outstanding companies famous for their satisfactory employee-relations policies, it was necessary to invite the cooperation of local banks, insurance companies, service clubs, chambers of commerce, farm and labor organizations, and citizens in various cities and towns in the preparation and final compilation of such list.

Busy workers and executives alike gave of their time and thought unremittingly, in their desire to serve the committee and to enable it to accomplish the objects of the survey. Our grateful acknowledgment and thanks are here expressed to each and every one of those who have rendered assistance in the successful conduct of the survey and the preparation of this report.

The several thousand firms with which we have communicated have accorded us every possible consideration. The policy of good will which was shown toward us was found to prevail throughout the business establishments and was reflected in the contented efficiency of the workers with whom we came in contact.

Our efforts have been directed to fact finding, rather than fault-finding, and we have received from business executives and employees complete cooperation in precisely that spirit.

Pursuant to instructions under the resolution, we have sought to ascertain the number of concerns throughout the United States operating a profit-sharing or extra-compensation and employee-benefit

plan of some kind, and to learn all pertinent facts relating to management, personnel policies, and employee relations, particularly in relation to the public welfare.

Without prejudice for or against any specific program or plan of employee relations, we have collected, collated, and analyzed all important facts, information, and opinion.

We submit in the following pages, in as simple and intelligible form as possible, the results of our research. We realize that this information is complete only insofar as it relates to businesses which we have investigated and data which we have accumulated. The conclusions offered are based upon our digest and analysis of that material. It should be accepted merely as pointing the way to a better understanding of the problems of business and as presenting a possible formula by which to meet some of the more pressing questions in the field of employer-employee relations as they affect the general welfare and the national economy.

The staff report is the free report of the staff itself. The committee commits itself only to its own report herewith. It cordially commends the observations of the staff to the consideration of American public opinion. It expresses its great appreciation for the faithful, painstaking work which the staff has done, and hopes for the widest possible distribution of the facts, observations, and conclusions which are herewith presented.

We further express the belief that these documents should stimulate far-flung interest in the examination and adoption of some one of the many various plans which, according to testimony produced herewith, have proved so successful.

This committee recommends no legislation whatever, but in this factual report will be found material of more concrete benefit to employer and employee than might be contained in volumes of legislation. If the committee and its staff had done nothing more than provide this authentic record of American experience with various types of employer and employee benefit relations, broadly classified as "profit sharing," we are convinced that its labors would have been more than justified.

Witnesses representing both employer and employees were heard in public hearings in respect to a wide variety of social-minded relations and in reference to employer and employee benefit systems.

In addition to these hearings, schedules of information have been obtained from industry throughout the entire United States. The transcript of these hearings and the analysis of both hearings and schedules of information by the committee's staff of experts provide the most complete and authentic information ever made available in the United States for the study of industry and labor in respect to this subject. Both the hearings and the analysis are made a part of this report.

The economic life of America is beset by a series of extremely complex problems, of which a fair and equitable distribution of the fruits of industry is one.

It would be unreasonable to assume that profit sharing could either be standardized or solve all of the problems confronting industry. That it is a very real step in the right direction is indicated by the reports of companies employing a successful plan as contrasted with the experience of business concerns having no profit-sharing plans, which have been afflicted by recurring labor disorders.

The profit-sharing theory provides a rational method for dividing the fruits of industry at the source where wealth is created. Each participant is rewarded in proportion to his contribution. By that device numerous persons are invested with economic independence and come into the possession of that measure of material substance which in turn not only encourages but enables them to expand their economic interests, thus creating new and added community values and providing larger opportunities and incentives for others to duplicate their performance.

Individual responsibility is the cornerstone of any sound profit-sharing system.

Profit sharing with employees is not profit sharing unless a fair and just wage is paid before there is a division of net profits, and, technically speaking, the share should be a percentage or sum fixed in advance.

These results, it should be added, are not automatic. There are successful profit-sharing systems and there are also unsuccessful systems. The employer who explores the subject should carefully study the detailed exhibits presented by the committee in conjunction herewith. They point the dangers as well as the advantages. Profit sharing will not succeed if undertaken by the employer as a substitute for the full, going wage in any given enterprise in any community. If thus undertaken, it is a libel on true profit sharing, because true profit sharing is the employee's stake in the net result of a mutual undertaking after normal wages have been paid. Profit sharing will not succeed if undertaken by the employer as a sudden, strategic alternative to unionism or to legitimate collective bargaining as established by law. It must develop by mutual consent. It must contemplate the full, free disclosure of facts respecting the profit operations of an enterprise. Wherever possible, it should develop out of mutual consideration and mutual action.

It is conceivable that without one single piece of legislation industry may reassert its leadership and demonstrate its ability to run itself, through voluntarily placing itself under that measure of self-discipline which will make restrictive measures on the part of government unnecessary. It is well within the power of the industrial leaders of any community to undertake the establishment of a profit-sharing plan, coupled with a program of reabsorbing into private enterprise such workers as are now available as employables, and by the intelligent coordination of effort turn into a community asset tomorrow that which stands as a liability today.

The selection of the plan is an important consideration. Good faith is the essence of any contract. Profit sharing, entered into wholeheartedly by both sides, with a sincere determination on the part of both employer and employee to do his share, will produce results the value of which can be estimated in tangible figures at the end of every fiscal year.

Nor is profit sharing restricted to companies already making a profit, as is popularly believed. The experience of various business concerns reveals that profit sharing has been employed to carry companies out of the red and into the black by securing that measure of enthusiastic cooperation and contented efficiency which is the direct result of a belief on the part of the workers that they will not only be treated fairly by their employers but that they have a material and predetermined interest in the results of the efforts of both workers and management.

It would be folly to assert that a profit-sharing plan without proper management and without absolute sincerity in administration would produce the favorable results which have been found to exist in such companies as Procter & Gamble, Eastman Kodak, Sears-Roebuck, Westinghouse, Joslyn, Nunn-Bush, Jewel Tea, and several hundred other companies whose profit-sharing plans and experience over a long period of years we have carefully studied.

In the committee's opinion there is no standard profit-sharing formula which can be uniformly applied to all American industry and commerce, although there are a few general principles which are rather constant in all successful profit-sharing systems.

The committee finds that profit sharing, in one form or another, has been and can be eminently successful, when properly established, in creating employer-employee relations that make for peace, equity, efficiency, and contentment. We believe it to be essential to the ultimate maintenance of the capitalistic system. We have found veritable industrial islands of "peace, equity, efficiency, and contentment," and likewise prosperity, dotting an otherwise and relatively turbulent industrial map all the way across the continent. This fact is too significant of profit-sharing's possibilities to be ignored or depreciated in our national quest for greater stability and greater democracy in industry.

The profit-sharing ideal, as an ideal, is invincible. The subjoined hearings and analysis present indisputable evidence to sustain this contention.

We are of the opinion that while profit sharing (and we continue to use the term in its broadest sense) may not be practical in its application to all employer-employee relationships, nevertheless it is applicable over a far wider field than has yet been undertaken, and that every employer-employee unit will do well to examine its own opportunities to establish this reality of partnership between capital and labor. Profit sharing is the essence of true cooperation which must embrace not only a wage relationship but also a profits relationship (after labor and capital have both had their fair "wages"). It represents social-mindedness and distinctly comports with the American system because it is business democracy. It appropriately acknowledges the full contribution which employees make to an employer's success; and thus it adds both to the dignity and the rewards of those who, without a direct stake in ownership, make ownership worth while. It carries the spirit of capitalism to mass citizenship. In many instances it provides old-age security without the intervention of government. In all instances it invites an intimate, mutual understanding of the common interest which employer and employee must have in their common enterprise.

In the midst of a tendency generally to condemn private business as selfish and reactionary and unsympathetic, the committee takes pleasure in pointing to the accompanying record as proving that there has been a vast, voluntary experimentation with various types of profit sharing which demonstrates the existence of widespread social-mindedness in American business, and this fact deserves the emphasis we give to it. It should be added that this report carries no implication that profits are not frequently "shared" through the payment of high wages for labor which often leave capital with the short "share" of the partnership. Furthermore, let it always be remembered that profits must be made before they can be shared; that a profit-sharing formula is not a panacea to produce something from nothing; and that this whole ideology is a quest for mutual betterments from mutual cooperation. We simply present the record and the possibilities; and we let them speak for themselves.

A second duty committed to your committee has been to "consider what advisable contribution, if any, may be made to the encouragement of profit sharing by the Federal Government, including the grant of compensatory tax exemptions and tax rewards when profit sharing is voluntarily established." Broadly speaking, this is the subject of "incentive taxation." We do not believe it is practical to apply "incentive taxation" to the profit-sharing motive—at least, not until the theory and principle of "incentive taxation" has been more deeply explored and perhaps subjected to preliminary experiment.

Opinion respecting "incentive taxation" is sharply divided in the committee and in the country. One school of thought insists that the taxing power should never be used for either "incentive" or "punitive" purposes, and that one is the complement of the other. The other school of thought insists that we already have the "punitive" tax, and that—confronting a condition rather than a theory—we should also have the "incentive" tax either as an offset or a substitute. In the latter field of action serious consideration has been given to "incentive taxation" which, by compensatory

tax exemptions and tax rewards, could, for example, encourage plant expansion and equipment replacements in industry. Other appealing examples are indicated in some of the discussions in the staff report.

It is interesting to note from the transcriptions of the hearings subjoined hereto that without exception those witnesses now operating under profit-sharing systems are opposed to "incentive taxation" or "compensatory tax benefits" either as an effort to expand the use of profit-sharing systems or rewarding those now sharing profits with employees.

The committee is agreed that some prudent experiments in "incentive taxation" could be usefully undertaken in a spirit of exploration and experiment. But since there is no agreement upon the appropriate nature of these experiments, and since the authority of the committee in respect to "incentive taxation" is probably confined by Senate Resolution 215 to profit sharing upon which we have already reported, the broader aspects of "incentive taxation" are left to individual members of the committee, in the light of all the appended information, to develop in connection with amendments which may be subsequently offered if, as, and when new tax legislation comes to issue.

The committee renews its expression of appreciation to its staff and to all of the witnesses who voluntarily cooperated with the committee in the creation of this record. We believe the record itself is an epochal achievement which offers the country an invaluable encyclopedia of information and advice upon employer-employee relationships and upon the moot question of taxation.

CLYDE L. HERRING,
A. H. VANDENBERG,
Subcommittee of Senate Finance Committee.

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. GILLETTE:

S. 2629. A bill to authorize the presentation of a Congressional Medal of Honor to Edward J. Zink; to the Committee on Military Affairs.

By Mr. McKELLAR:

S. 2630. A bill to accept the cession by the States of North Carolina and Tennessee of exclusive jurisdiction over the lands embraced within the Great Smoky Mountains National Park, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. CLARK of Missouri:

S. 2631. A bill to extend the times for commencing and completing the construction of a bridge across the Missouri River at or near Arrow Rock, Mo.; to the Committee on Commerce.

By Mr. JOHNSON of Colorado:

S. 2632. A bill to provide for the fingerprinting and registration of individuals within the United States; to the Committee on the Judiciary.

By Mr. BONE:

S. 2633. A bill to amend sections 405 (a) and 504 (a) of the Revenue Act of 1938; to the Committee on Finance.

S. 2634. A bill to reserve to the United States for the Bonneville project a right-of-way across certain Indian lands in the State of Washington, subject to the consent of the individual allottees and the payment of compensation, and for other purposes; to the Committee on Indian Affairs.

By Mr. BANKHEAD:

S. 2635. A bill to amend the Federal Crop Insurance Act; to the Committee on Agriculture and Forestry.

S. 2636. A bill to provide for investigators for the Committee on Appropriations of each House of Congress; to the Committee on Appropriations.

By Mr. SHEPPARD:

S. 2637. A bill for the relief of Sterling Andrew Wilkin; to the Committee on Naval Affairs.

S. 2638. A bill to extend eligibility for disabled emergency officers' retirement benefits to those disabled emergency officers of the World War otherwise entitled thereto who failed to file application therefor within the time provided for in Public Law No. 506, approved May 24, 1928, Seventieth Congress; to the Committee on Military Affairs.

By Mr. MURRAY:

S. 2639. A bill relating to the hours of service of persons employed upon the Government-owned Wiota-Fort Peck Railroad in the State of Montana; to the Committee on Interstate Commerce.

By Mr. KING:

S. 2640. A bill authorizing the Commissioners of the District of Columbia to settle claims and suits of the District of Columbia; and

S. 2641. A bill to make uniform in the District of Columbia the law on fresh pursuit and to authorize the Commissioners of the District of Columbia to cooperate with the States; to the Committee on the District of Columbia.

By Mr. THOMAS of Utah:

S. 2642. A bill for the relief of Leda N. Jones; to the Committee on Claims.

By Mr. LUNDEEN:

S. 2643. A bill for the relief of the International Grain Co., Inc.; to the Committee on Claims.

By Mr. HOLMAN (for Mr. McNARY):

S. 2644. A bill to set aside certain land in the State of Oregon for a summer camp for Boy Scouts; to the Committee on Public Lands and Surveys.

By Mr. HOLMAN:

S. 2645. A bill for the relief of John K. Jackson; to the Committee on Claims.

By Mr. ELLENDER:

S. 2646. A bill for the relief of Haydee M. Ratigan; to the Committee on Finance.

By Mr. PITTMAN:

S. 2647. A bill to implement the provisions of the Shipowners' Liability (sick and injured seamen) Convention, 1936; to the Committee on Foreign Relations.

By Mr. THOMAS of Utah:

S. 2648. A bill to provide additional compensation for employees killed or injured while performing work of a hazardous nature incident to law-enforcement activity, and for other purposes; to the Committee on Education and Labor.

By Mr. BRIDGES:

S. J. Res. 154. Joint resolution expressing the appreciation of Congress to members of the United States submarine *Squalus*, and for other purposes; to the Committee on Naval Affairs.

By Mr. THOMAS of Oklahoma:

S. J. Res. 155. Joint resolution consenting to an interstate oil compact to conserve oil and gas; to the Committee on Mines and Mining.

By Mr. REYNOLDS:

S. J. Res. 156. Joint resolution authorizing the erection of a monument in memory of Gen. William Davidson; to the Committee on the Library.

EXTENSION OF INTERSTATE COMPACT TO CONSERVE OIL AND GAS

Mr. ADAMS. Mr. President, there was referred to the Committee on Public Lands and Surveys a message from the President of the United States, with accompanying papers, in reference to an interstate compact for the conservation of oil and gas. The Public Lands Committee feel that these papers should go to the Committee on Mines and Mining. We, therefore, ask that the Committee on Public Lands and Surveys be discharged from the further consideration of the message and papers and that they be referred to the Committee on Mines and Mining.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. THOMAS of Oklahoma. Mr. President, in connection with the rereference of the interstate oil compact, I desire to state that before the compact can be made valid it must be ratified by Congress, or permission must be granted by Congress for the extension of the compact.

At this time I ask permission to introduce a joint resolution proposing to grant the consent of Congress to the validity of the compact, for reference to the Committee on Mines and Mining.

The VICE PRESIDENT. Is there objection? The Chair hears none.

(See S. J. Res. 155, introduced today by Mr. THOMAS of Oklahoma and referred to the Committee on Mines and Mining.)

HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H. J. Res. 326) making appropriations for work relief, relief, and to increase employment by providing loans and grants for public-works projects, for the fiscal year ending June 30, 1940, was read twice by its title and referred to the Committee on Appropriations.

WORK RELIEF AND RELIEF—AMENDMENTS

Mr. HAYDEN submitted amendments intended to be proposed by him to the joint resolution (H. J. Res. 326) making appropriations for work relief, relief, and to increase employment by providing loans and grants for public-works projects, for the fiscal year ending June 30, 1940, which were referred to the Committee on Appropriations and ordered to be printed.

FIVE-YEAR BUILDING PROGRAM FOR BUREAU OF FISHERIES—AMENDMENT

Mr. SHEPPARD submitted an amendment intended to be proposed by him to the bill (S. 1492) to provide for a 5-year building program for the United States Bureau of Fisheries, which was referred to the Committee on Commerce and ordered to be printed.

AMENDMENT OF SOCIAL SECURITY ACT—AMENDMENTS

Mr. JOHNSON of Colorado submitted amendments intended to be proposed by him to the bill (H. R. 6635) to amend the Social Security Act, and for other purposes, which were referred to the Committee on Finance and ordered to be printed.

STABILIZATION FUND AND WEIGHT OF THE DOLLAR—AMENDMENTS

Mr. TAFT submitted an amendment intended to be proposed by him to the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised, which was ordered to lie on the table and to be printed.

Mr. THOMAS of Oklahoma (for himself and Mr. McCARRAN) submitted an amendment intended to be proposed by them to the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised, which was ordered to lie on the table and to be printed.

INVESTIGATION OF METHODS OF HANDLING EXPRESS AND FREIGHT TRAFFIC

Mr. WHEELER (for himself and Mr. REED) submitted the following resolution (S. Res. 146), which was referred to the Committee on Interstate Commerce:

Resolved, That the Committee on Interstate Commerce, or any duly authorized subcommittee thereof, is authorized and directed to make a full and complete investigation and study with respect to (1) the nature and legality of the methods now employed by common carriers by railroad subject to the Interstate Commerce Act for the handling of their express traffic, their forwarder or consolidated carload freight traffic, and their freight traffic in less than carload lots, and (2) the possibility of improving the methods of handling such classes of traffic in the interest of economy and of better service to the public. The committee shall report to the Senate, at the beginning of the next regular session of the Congress, the results of its investigation and study, together with its recommendations, if any, for legislation.

For the purposes of this resolution, the committee, or any duly authorized subcommittee thereof, is authorized to request the Interstate Commerce Commission and any of the executive departments or other agencies of the Government to furnish to it clerical and expert assistance in the conduct of, and any information in their possession with respect to matters within the scope of, such investigation and study.

ADDRESS BY SENATOR PEPPER BEFORE 10 YOUNG DEMOCRATIC CLUBS OF THE DISTRICT

[Mr. LEE asked and obtained leave to have printed in the RECORD an address delivered by Senator PEPPER before the joint meeting of 10 Young Democratic Clubs of the District of Columbia at the Shoreham Hotel in Washington on June 17, 1939, which appears in the Appendix.]

THE ALIEN PROBLEM—ADDRESS BY SENATOR THOMAS OF UTAH

[Mr. MINTON asked and obtained leave to have printed in the RECORD a radio address delivered by Senator THOMAS of Utah on June 18, 1939, on the subject of our alien problem, which appears in the Appendix.]

THE AMAZING SILVER PROGRAM—STATEMENT BY SENATOR TOWNSEND

[Mr. GURNEY asked and obtained leave to have printed in the Appendix a statement on the Amazing Silver Program, by Senator TOWNSEND, which appears in the Appendix.]

ADDRESS BY ATTORNEY GENERAL MURPHY AT GEORGETOWN UNIVERSITY SESQUICENTENNIAL

[Mr. O'MAHONEY asked and obtained leave to have printed in the RECORD an address delivered by Hon. Frank Murphy, Attorney General of the United States, at the sesquicentennial celebration of Georgetown University, which appears in the Appendix.]

THE UNEMPLOYMENT PROBLEM—ADDRESS BY JOHN CECIL

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD a radio address made by the Honorable John Cecil, president, American Immigration Board, before the Kiwanis Club of New York City, May 10, 1939, on the subject Jobs—The Paramount Issue in America, which appears in the Appendix.]

AGRICULTURAL LEGISLATION—ADDRESS BY GLENN J. TALBOTT

[Mr. MURRAY asked and obtained leave to have printed in the RECORD a radio address delivered on May 21, 1939, by Glenn J. Talbott, president, North Dakota Farmers' Union, on the subject of agricultural legislation sponsored by the National Farmers' Union, which appears in the Appendix.]

DRAFT OF CAPITAL IN TIME OF WAR—FOREIGN POLICIES

[Mr. LEE asked and obtained leave to have printed in the RECORD resolutions passed by the Brotherhood of Railroad Trainmen with reference to the draft of capital in case of war, and the President's foreign policies, which appear in the Appendix.]

NORTH-SOUTH-EAST-WEST—ARTICLE BY FRANK L. PERRIN

[Mr. TOBEY asked and obtained leave to have printed in the RECORD an article by Frank L. Perrin, published in the Christian Science Monitor of June 17, 1939, entitled "North-South-East-West," which appears in the Appendix.]

PRESIDENT WILSON AND COLONEL HOUSE—ARTICLE BY WILLIAM WILMOTH

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an article by William Wilmoth entitled "President Wilson and Colonel House," which appears in the Appendix.]

MR. BERLE DIDN'T ADVOCATE IT—EDITORIAL FROM MILWAUKEE JOURNAL

[Mr. WILEY asked and obtained leave to have printed in the RECORD an editorial from the Milwaukee Journal of Saturday, June 10, 1939, entitled "Mr. Berle Didn't Advocate it," which appears in the Appendix.]

JEWISH REFUGEES ON STEAMSHIP "ST. LOUIS"—ARTICLE BY JAMES M. THOMSON

[Mr. CLARK of Missouri asked and obtained leave to have printed in the RECORD an article by James M. Thomson, editor and publisher of the New Orleans Item and Tribune, on the subject of the plight of the Jews on the steamship *St. Louis*, which appears in the Appendix.]

STABILIZATION FUND AND WEIGHT OF THE DOLLAR

The Senate resumed the consideration of the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised.

Mr. WAGNER. Mr. President, I hope I may have the indulgence of the Senate while I attempt to present my views as to the pending order of business.

The bill now up for consideration involves extension for a 2-year period of the stabilization fund and of existing monetary powers relative to the gold content of the dollar and the acquisition of newly mined domestic silver for coinage.

This bill differs from the general run of bills in several important respects. It does not call for the expenditure of any public funds; it does not create any new powers, nor does it involve the extension of any powers of control or regulation of business or economic activity. Lastly, it in-

volves no conflict of interests as among various groups in the United States.

The provisions of the bill may be considered under two heads. The first, embracing sections 1 and 2 of the bill, calls for an extension of the stabilization fund; the second calls for an extension of the powers to alter the gold content of the dollar and to provide for the acquisition of newly mined domestic silver.

With respect to the stabilization fund there is virtually no difference of opinion among the Members of either House of Congress. There is almost unanimity of opinion on the desirability of continuing this fund.

The stabilization fund has been in operation for more than 5 years, and the record shows that the fund has in no way been employed for any purpose other than that indicated by Congress in the establishment of the fund. Its uses have been specifically limited to stabilizing the exchange value of the dollar. Instead of increasing economic tensions and antagonisms, the fund has been employed to mitigate economic tensions and to foster the collaboration of important countries. It has been one of the main instruments for maintaining the stability of the dollar in a situation which demanded skill and patience.

No one can doubt that the successful management and operation of the stabilization fund has fully vindicated the action of Congress in establishing it and in delegating its administration to the Secretary of the Treasury.

The 5 years during which this fund was in operation included periods in which currencies were subjected to tremendous pressure—periods in which war scares sent more money scurrying from one country to another in a single month than has ever been true before. During September and October of last year, at the time of the Munich crisis, over a billion dollars of funds flowed to this country. With the aid of the stabilization fund the exchange uncertainties were kept down to a minimum despite that enormous inflow of funds and despite the acute political crisis.

As for the management of the fund and the uses to which it has been put, Secretary Morgenthau has succeeded in handling the fund in a manner completely above suspicion and above criticism. I am glad to have this opportunity publicly to congratulate Secretary Morgenthau upon his efficient and businesslike fulfillment of so enormous a responsibility.

Only one positive suggestion has been made with respect to the stabilization fund—that there should be less secrecy as to its operations. As a matter of fact, there is less secrecy about the activities of our stabilization fund than there is about the activities of similar funds of foreign countries.

Of the whole fund of $2,000,000,000 authorized by Congress, $1,800,000,000 remains in gold in the Treasury and appears regularly in the Treasury daily statement. In other words, complete information with respect to 90 percent of the stabilization fund is reported to the public every day. The only information withheld relates to the day-to-day operations of the working portion of the fund, consisting of only $200,000,000. This information is not revealed to the public because it could be of use only to the professional exchange speculators.

It is unfortunate that a few months ago rumors were circulated to the effect that the fund was being used for purposes not indicated in the act. To put an end to these unwarranted insinuations and baseless rumors the Secretary voluntarily presented before the appropriate committees a balance sheet of the stabilization fund to date. He has stated, furthermore, that he has no objection whatsoever to presenting a similar balance sheet each year and to giving Congress as well as the President an annual report of the operations of the fund.

The only change made in the bill from the measure as I introduced it is that the powers are extended to June 30, 1941, instead of to January 15, 1941, in accordance with the amendments adopted by the House, and that a copy of the annual audit of the fund shall be submitted to Congress as well as to the President.

The third section of the bill, which is the one in which Senators are primarily interested, I take it, extends for an additional 2 years the powers vested in the President to fix the gold content of the dollar and to provide for the unlimited coinage of silver. These powers were first included in paragraph (b) (2) of section 43 of the act of May 12, 1933. This act gave the President authority to reduce the gold content of the dollar down to 50 percent of its former gold content and contained no time limitation upon the exercise of such power. The Gold Reserve Act, which was approved on January 30, 1934, left unchanged the maximum amount by which the President could reduce the gold content of the dollar but provided that he might not fix it at more than 60 percent of its former gold content and also provided that the powers to revalue the dollar and to provide for the unlimited coinage of silver would expire on January 30, 1936, unless extended by the President for an additional year.

The day following the enactment of the Gold Reserve Act of 1934 the President, by proclamation, reduced the gold content of the dollar from 25.8 grains of gold 0.9 fine to $15\frac{5}{21}$ grains of gold 0.9 fine, thereby reducing the gold content of the dollar to 59.06 percent of its former content and increasing the monetary value of gold from $20.67 an ounce to $35 an ounce. The gold content of the dollar and the monetary value of gold have remained unchanged since that date. On January 10, 1936, the President, by proclamation, extended until January 30, 1937, the time in which he could exercise his powers relative to the content of the dollar and to the coinage of silver.

While some controversy is now arising in regard to section 3 of the bill, in January 1937, when the senior Senator from Virginia [Mr. GLASS] had charge of the bill then pending, because I was ill at the time, the Senate by unanimous vote, without a single dissenting vote, extended for 2½ years the very powers sought to be extended again this year for a period of 2 years.

In the discussion considering the provision for altering the gold content of the dollar there are only two pertinent questions that need to be answered: (1) What is the purpose of this power? and (2) Why is it necessary to grant it to the President rather than have it retained solely by Congress?

Before considering these questions let me make one fundamental fact clear. It is impossible for us to maintain stability of the external value of the dollar unless foreign countries cooperate in attaining the same objective with respect to their own currencies. A dollar has a value in the foreign-exchange markets only in terms of foreign currencies. When a foreign country lets its currency decline, then the foreign-exchange value of the dollar rises. An exchange rate is just what the words indicate—a ratio, a rate of exchange, between two currencies. When one of those two currencies declines, then the other ipso facto rises, and when one rises, then the other ipso facto falls. The United States cannot stabilize the foreign-exchange value of the dollar by its own actions alone. The United States can stabilize the external value of the dollar only if the other major countries of the world want to, or agree to, or are forced to, or are induced to, regulate their currency to keep in step with ours—or if we regulate our currency to keep in step with their currency. To ignore this elementary fact is to miss the point of all stabilization operations and to misunderstand the functions and purposes of the pending bill.

The purpose of the Presidential power to lower the gold content of the dollar to 50 percent of the old gold content is to assist in the stabilization of the dollar in the foreign-exchange markets of the world and to protect its position against the disastrous effects of the competitive depreciation of foreign currencies.

Now, how does the possession of the power to alter the gold value of the dollar help to maintain exchange stability? How does it offer any protection to us against competitive depreciation of foreign currencies? It does so simply by providing a defensive weapon which serves to deter other countries from initiating a competitive currency war. When foreign governments know that the President has the power to reduce the gold content of the dollar, they are discouraged from trying

to obtain a competitive advantage through depreciation of their own currency.

As the Secretary of the Treasury has well said, this power fulfills exactly the same function in the sphere of the maintenance of currency stability and in the prevention of competitive attack upon our currency as does the possession of our strong Navy in the maintenance of peace and in the prevention of military attacks against our territory.

Let us see just how that principle operates in the field of international currency. Suppose that a foreign government—let us call it government X—is eager to increase her exports and to reduce the competition of foreign producers in her own markets; that government X, in short, seeks to improve her competitive position in the markets of the world. One of the devices it may resort to in order to gain that advantage is to permit its currency to depreciate.

Bear in mind that almost all foreign governments can use that device without restriction. The executive branch of practically every important country in the world can depreciate its currency through instantaneous administrative action. They need no new legislation. They need no new consent of the legislative body. They need no prolonged public discussion. It is necessary only for such a country to have a cabinet meeting or a meeting of treasury officials on Monday night and on Tuesday morning confront us with a lower currency and ipso facto with a more expensive dollar.

We must remember that when the currency of certain important foreign countries declines it sooner or later pulls with it the currencies of other nations. They are forced to defend themselves either by increasing restrictions on their import trade through higher tariffs or more stringent quota provisions, or by depreciation of their currencies. No country can for long stand the adverse and severe effects that follow the depreciation of an important competing currency without attempting effective countermeasures. Therefore, when we speak of a foreign country depreciating its currency we must bear in mind that that may mean currency depreciation by more than one country. The situation is such now that the depreciation of one important currency may sweep many other currencies along with it. Thus last year when sterling depreciated by some 5 percent, 20 other currencies went down with it.

Let us trace briefly the consequences to the American people which would result from depreciation of important foreign currencies, and this is important, and not always understood, I am sorry to say. The American exporter would find his foreign market curtailed both in the countries which have depreciated their currencies and in those countries that have not. It means that manufacturers of automobiles in Michigan, of machine tools in Ohio, of cotton textiles in New England, who were previously able to compete successfully abroad with their foreign competitors would find that some of those competitors have gained a price advantage overnight in all markets of the world.

Even more serious is the effect on our domestic producers who are exposed to foreign competition. Our domestic market will be subject to the intensified competition of the goods of countries that join the depreciation parade. Our shoe manufacturers, our textile industry, our dairy industry, our cattle growers, meat packers, the lumber industry, and producers right through the thousands of articles we make in competition with foreign producers will be suddenly exposed to the competition of imported goods selling at reduced prices.

The consequences of this sudden attack on our economy must inevitably be falling prices, more unemployment, decreased profits, decreased production, and decreased standards of living for the American people. That was the situation which prevailed in 1932. That is the situation which has confronted country after country at varying times in the last 20 years, and that is the situation which we wish to prevent. Remember that this situation could be created simply by executive act of certain foreign countries. By one stroke of an executive pen or by a telephone order, a foreign government could, if it wished, reduce, or even wipe out the protection provided by our tariff schedules. After a passage of years some of these disadvantages to American manufacturers and American exporters will disappear, but throughout that lengthy period of adjustment the Nation as a whole will suffer from the deflationary effects of our worsened trade position, and of the downward pressure against our price structure.

Nor do we have a single law in our statute books, other than the one now under consideration, that adequately protects the domestic market against such acts. We have antidumping laws; we have laws which protect us against discriminatory treatment; but we have no laws which promptly and effectively protect us against the competitive depreciation of foreign currencies.

Mr. President, I find it most difficult to understand the attitude of some of the Senators who are opposing this section of the bill. They are the first to come to the defense of the American manufacturer when his American market appears to be threatened by foreign producers. They are on record as favoring protection of American industry from low-cost competition from abroad and yet they are opposing a bill which is the only effective defense we have against steps taken by foreign governments which would destroy our protective barriers. They appear to be oblivious of the fact that depreciation of foreign currencies acts to cut down and even wipe out many of our tariff duties.

For example, we have a duty of 33⅓ percent on certain types of woolen goods. Let us see what happens to that duty when a foreign currency depreciates. Let us assume that the sterling-dollar rate is $5 and enough woolen goods to make a suit costs £2 sterling or $10, making the cost to the American importer $10 plus the 33⅓ percent duty or a total of $13.33. Now supposing that sterling depreciates to $4, which can be effected by England overnight. The same ad valorem duty remains in effect. The American importer of British woolens still pays 33⅓ percent, but instead of the cloth costing $13.33 it costs him $10.66. In other words, the protection afforded the home producer by the duty has been almost completely wiped out. It amounts to a reduction in our tariff schedule imposed upon us by a foreign government. Depreciation of foreign currencies can be just as destructive to our domestic industry as a wiping away of tariff schedules.

Mr. President, let me repeat that statement, because some Senators who oppose this provision do not seem to appreciate that point. Depreciation of foreign currencies can be just as destructive to our domestic industry as a wiping away of tariff schedules. In fact, it is even more destructive because, as I pointed out, it hits our exporters as well as producers for the home market, and it lowers the dollar prices of duty-free imports as well as those that are subject to duty.

Just how does the extension of the power further to alter the gold content of the dollar by Presidential proclamation give us protection against foreign currency depreciation of which I have spoken? I wish I could say that the extension of the power of the President to devalue the dollar by some 9 percent of its old gold content is complete insurance against any competitive depreciation by other countries. I wish the bill did give us 100-percent insurance of a dollar stable, in terms of all foreign currencies. But unfortunately the bill before us offers no such absolute protection any more than our Navy offers absolute assurance that our country will never be attacked. Yet, this power is now and has been in the past an effective weapon—in fact our chief weapon—in preventing the initiation of currency wars. To take one example: Last fall the pound fell from $5 to $4.60 in a brief period and it seemed it would continue to fall. It was, of course, not only the pound sterling that was falling.

The whole sterling bloc declined, and many other currencies followed sterling in the decline. The chief important currency that did not decline was the dollar. The decline of sterling and the failure of the dollar to decline changed the exchange rates. Foreign currencies became cheaper, the dol-

lar became more expensive. As sterling fell American businessmen complained more and more of the adverse effects of this decline. It was reported to me, for example, that the American pulp-producing industry appealed for protection against the effects of declining sterling. They stated that when the pound dropped and Finnish currency declined with it, the Finnish pulp-producing companies were able to undersell American pulp-producing companies in the United States, and as a result American pulp-producing companies began to lose money and were faced with the necessity of laying off a large part of their employees. That is but one instance which illustrates the effects of depreciated currencies upon American business. I was also informed that the automobile industry became very apprehensive when the dollar went up and sterling declined.

The knowledge of those potential effects led the Secretary of the Treasury last fall to indicate to the British Government his concern over the falling sterling and its effect on the position of the dollar. He did not have to tell the British officials that the President possessed the power to lower the gold content of the dollar and could thereby neutralize overnight the effect of a lower sterling in the world markets. The British authorities were fully cognizant of the President's powers. I do not know what discussions took place in the British Treasury at that time. I do not know how much further the British pound would have fallen if the President had not possessed the power to defend the dollar against such action. But I do know that within a brief period following the discussions of the Secretary of the Treasury with the British Treasury the fall of the pound was halted and it has not fallen from that point since, despite additional international crises and despite assertions by numerous British industrialists and bankers that a lower price of sterling would be of great assistance to them. I hope that statement makes an impression.

I agree with many Senators that this would be a far better world if no such defensive powers were necessary, if all nations could again return to fixed exchange rates, and to a world condition in which there was neither danger nor expectation of alteration of the exchange value of currencies. Unfortunately, however, there are no indications that such conditions will prevail in the near future. Our policies must be adapted to the world in which we live and not to a world as we would like to have it.

In the world as it is today the danger of changes in the value of foreign currencies cannot be removed. The danger of competitive depreciation, with its consequent disastrous effects on our economy, can be lessened only when the leading countries of the world agree to avoid such acts. Since the United States has the strongest currency in the world, the United States must take the lead in promoting international monetary stability. Secretary Morgenthau has often declared that the United States would be the first to participate in international arrangements seeking to eliminate competitive currency depreciation. We have already joined in one such arrangement in the tripartite accord of 1936, in the creation of which this country took a leading part.

The tripartite accord—which was an understanding between the United States, Great Britain, and France, and to which three other countries adhered—was an important step in the direction of achieving international monetary stability. Yet this understanding would have been much more difficult, if not impossible, to achieve without the Presidential power to devalue. The very existence of this power constituted an effective bargaining weapon in our hands in the negotiations for the consummation of the accord; and the renewal of this power is one of the best ways of assuring the maintenance of the accord.

The essential point to grasp in deciding whether to vote for or against this bill is that we are asking for this power not because we want the dollar devalued, not because we expect the dollar to be devalued, but because we want to avoid being confronted with a situation which would make it necessary for us to choose between the alternatives of depreciating the dollar and of suffering the effects of declining trade and possible serious deflation. This power is an essential instrument to put the United States on an equal footing in the international monetary field with the leading countries of the world. It is a necessary accompaniment to our stabilization fund. It is an important element for the effective continuation of the tripartite monetary arrangement which has done so much to restrain the depreciation of currencies in the past 3 years of international political and economic crisis. This power is an effective weapon with which to defend the exchange value of the dollar. If Congress deprives the Government of this weapon, it will be more difficult to protect American business from unfair foreign competition both at home and abroad.

I now turn to the second question which may be asked about this power: Why is it not sufficient for the power to be retained exclusively by Congress? Why should it be granted to the President?

The power to depreciate a currency is effective as an instrument of defense only if it is granted to the executive branch of the Government. As an instrument of defense, it cannot be effectively administered by the legislative branch. The history of currency depreciations since the war amply supports this view. In this period, legislatures have usually given authority in advance, or have given retroactive approval to action taken. This has been so because it would be harmful to ordinary economic life of the people if the legislature attempted to act on such monetary matters. During a crisis, any disturbance would be intensified by continued public debate as to the nature of the action to be undertaken. Because of the complicated nature of each situation that may arise involving depreciation of currencies, it is necessary that before Congress take action it either rely upon the studies and analyses of the executive branch of the Government or carry out its own analyses and its own studies. In either case consideration of the issues would, of course, provoke extended public debate.

The difference in practice between permitting the power to reside only in Congress and having that power shared by the executive branch is very important. Let us take a specific instance. Let us return to the situation of last fall, when sterling was declining. Everybody knew that the President possessed the power further to devalue. Everybody knew that if the well-being of the United States demanded it action could be taken quickly and promptly. The President and the Secretary of the Treasury could be relied upon to adopt such monetary action as was in the best interest of the people. What would have happened if the power had not been delegated by Congress to the President? In the first place, Congress was not in session, and it might have been necessary to convene it solely for the purpose of considering what monetary action should be taken in defense of the dollar and American business interests. Such an act in itself would have greatly disturbed currency relationships and introduced great uncertainty in the conduct of international business. But even if Congress had been in session, there would have been prolonged public discussions as to what action should be taken. The exchange manipulators would know that Congress could make one of two choices—either take no action or depreciate the dollar. They would realize that if the dollar were to be depreciated there was a simple way to make sure profits. I am speaking of the international currency speculators. They would need only to convert dollars into foreign currencies or into gold held abroad, and reconvert them into dollars after the dollar had been depreciated. There would have been serious disturbances in the money markets as American and foreign holders of dollar balances and dollar assets evidenced their distrust in the dollar. Foreigners would liquidate their assets and their bank accounts which they held in this country, and would rush either into other currencies or into gold. A tremendous outflow of gold from the United States would ensue.

The net result would have been that Congress would have been forced to adopt the very depreciation which it had until then been only considering. The more prolonged the public discussion, the greater the outflow of gold, the greater the

uncertainty, and the greater the probability that such action would have to be taken. In the meantime panic and uncertainty would have impeded the legitimate commercial and financial transactions carried on by United States businessmen, with consequent disturbing effects on domestic business activity.

If Congress retains the power exclusively unto itself, then foreign governments will no longer consider that power effective to meet emergency situations. They will no longer be deterred from depreciating their currencies, because they would not expect Congress to be able to act on monetary matters with the requisite degree of rapidity and precision. So long as the executives of some countries possess that power and the executives of other countries do not possess it, so long will competitive depreciation be one of the devices which will be adopted by some foreign countries to achieve benefits for themselves at the expense of others.

I think it is appropriate at this point to consider the major objections which have been advanced against the bill.

I have heard it emphasized at committee hearings from those who oppose this legislation that the devaluation of the dollar in 1933 accomplished no good; that it did not contribute anything to subsequent recovery; and that, therefore, the power to devalue the dollar should not be continued.

An examination of what took place in this country as well as in the other countries of the world between 1931 and 1936 makes it perfectly clear that dollar devaluation in this country, just as currency depreciation in other countries, was a vital factor in breaking the downward spiral of business and prices.

Let us look at the record.

In September 1931, Great Britain went off the gold standard, and her currency immediately began to depreciate. During the next year, sterling dropped from $4.86 to a low of $3.25. The departure of England from the gold standard, and the depreciation of sterling were preceded or accompanied by similar action on the part of some score of other countries. Japan depreciated her currency by more than 60 percent; the British Dominions, the Scandinavian countries, Argentina, and other Latin American countries depreciated their currencies by 40 percent or more.

What happened to prices in those countries? In practically every one of the twenty-odd countries whose currencies were depreciating during that period prices which had previously been rapidly declining ceased to fall and in some cases actually rose.

What was happening in the United States and in the other countries whose currencies were not depreciating during this period? From the fall of 1931 to the spring of 1933 wholesale prices in the United States fell more than 15 percent. The prices of farm products and the prices of imported goods fell more than 25 percent. In France, Netherlands, and Belgium prices were falling even more rapidly than in the United States; in Germany, Italy, and Switzerland prices fell roughly about as much as they did in the United States. In other words, in those countries which did not lower the value of their currency prices continued to fall, business continued to decline, unemployment continued to increase, and trade continued to drop. Whereas in those countries whose currencies depreciated the deflationary spiral was brought to a halt.

Now, let us take the situation in the United States following the abandonment of the gold standard by the United States in April of 1933 and the depreciation of the dollar which occurred thereafter. We find that the wholesale prices in the United States rose almost 30 percent from March 1933 to September 1934. Farm prices almost doubled during that period.

The downward movement of prices, business, trade, and employment were stopped, and recovery began. While this was happening in the United States those countries which continued to cling to the old value of their currencies continued to experience deflation. These countries hung on until the fall of 1936, when they likewise depreciated their currencies. The same thing happened in those countries after depreciation. Deflation ceased with the depreciation of their currencies.

There is nothing mysterious about this connection between the depreciation of a currency and a rise in prices. In the first place, exports cost much less to the foreign importer; consequently he buys more; there is an increased demand for exports. In 1934, for example, our exports were over 30 percent higher than in 1932, and because of the increased demand there was a tendency for prices to move up on all goods that are exported. In the second place, all imports cost more. They cost more because it required more dollars to buy a given amount of foreign currency than was true before depreciation took place. In the third place, the prices of all goods produced out of imported materials rose. And this helped prices of domestic commodities to rise. In the fourth place, the depreciation of the dollar and the other monetary measures taken in 1933 had the effect of stopping the flight from the dollar, the hoarding of currency, and the collapse of the credit system. This striking of the shackles off the credit and monetary system of the United States, which had been dragging the economy down at an increasing speed, enabled our economic structure to breathe freely again and move forward and upward. In the fifth place, business began to improve as a consequence of the stoppage of disastrously falling prices. Merchants no longer feared to increase their inventories and the increased demand for goods made business better, put more men to work, and better business meant better prices, particularly since they were moving from a very low level.

Failure to recognize the important role played by dollar devaluation in breaking the back of the deflation and of the decline in prices in this country is due to the fact that some people had the notion that there would be a rise in all commodity prices mathematically proportionate to the depreciation of the currency and that this result not having ensued, dollar devaluation was deemed to have been a complete failure. The mere fact that unwarranted claims were made for dollar devaluation is no sound reason for failing or refusing to recognize the important role that currency depreciation played in stopping the rapidly deepening depression in this country.

No one familiar with events in the United States would claim that the lowering of the value of the dollar was the only factor responsible for the rise in prices and the inauguration of recovery. Obviously there were other forces at work. No one can say precisely how much the depreciation of the dollar contributed and how much the other factors contributed. All that we do know is that depreciation was one of the important factors in the price rise. We do know that deflation did not stop and recovery did not begin until we had begun to devalue the dollar.

Mr. TAFT. Mr. President——

The PRESIDING OFFICER (Mr. CLARK of Idaho in the chair). Does the Senator from New York yield to the Senator from Ohio?

Mr. WAGNER. I would rather finish my remarks, and then I will be glad to answer any questions.

We also know that the same thing has happened in most other countries. However, the undeniable fact that depreciation of the dollar in 1933 did substantially contribute to the subsequent improvement does not mean that we indiscriminately want to apply this power to every situation. Conditions change, and each situation has to be examined in the light of the special circumstances.

A second objection that has been raised is that this legislation gives dictatorial powers to the President. This claim is not made with the desire to understand the real issues. It serves only to confuse the thinking on the problem. Congress still retains its full power to regulate the currency of the United States. To call dictatorial the power to reduce the gold content of the dollar by a limited amount is to indict all the democracies of the world, since almost all the democracies have given at least an equivalent power to the executive branch of the Government.

In fact, this bill gives the President less power than is accorded to the executive of any other country, for in no other important country is the power to alter the gold content of the currency restricted within such narrow limits. We are the only important commercial country in the world which

announces that it will not devalue its currency more than 9 percent of its old gold content without prior permissive legislation.

Furthermore, to label as being dictatorial the existence of discretionary power in the executive which increases the efficiency of a democracy is really an attempt to discredit and undermine democracy. Those who would restrict the administrative powers of the executive branch of the Government by crying "dictatorship" are really weakening democracy by denying it the capacity for quick, decisive action in time of danger.

Another objection urged against this bill is that the possession of the power to further devalue the dollar destroys business confidence by creating uncertainty with respect to the future of the dollar. To me the contrary seems true. Instead of destroying the confidence of the businessmen in the future of the dollar, I believe it operates to enhance it. This bill is designed to promote stability in the exchange value of the dollar, and it is a stable dollar that the businessman wants when he is planning for the future.

The businessman now lacks no confidence in the dollar. On the contrary, the one place where the businessman displays more confidence than in any other field is with regard to the soundness of the dollar. This is true not only of American businessmen but of foreign businessmen and bankers as well, and they display their confidence in the way which matters most—by investing their funds in the dollar. I need not remind you, Mr. President, of the billions of dollars of foreign capital which have come to this country to be invested in dollar balances and assets. The bonds of the United States Government which are payable in dollars simply and not in terms of gold are selling at their lowest interest rate in history. The banks in the United States whose deposits are in terms of dollars are attracting more foreign deposits than have ever been attracted before.

I would ask, Mr. President, whether you know of a single instance in which an exporter has refused to sell his goods for 3 months, 6 months, a year, 2 years, or 5 years, or has preferred to put his bill in any currency other than the dollar because he has lacked faith in the dollar. He has lacked faith in other currencies, and has therefore insisted, whenever he had the choice, on making his bill payable in American dollars rather than in foreign currencies. This is true not only of American exporters but even of foreign exporters, who prefer to have their bills paid in dollars rather than in the currencies of their own country. I think we may say that the dollar has now become the leading international currency. So great is the confidence in the American dollar that we find millions of our paper currency leaving our shores to be employed in business transactions and hoarded in foreign countries. The Federal Reserve Board has stated that in the past 2 months alone over $70,000,000 of American paper currency has left this country.

The best way to reduce business confidence in the dollar is to refuse to renew these powers. Why? Because what the businessman is afraid of is a repetition of instability in currency markets, a repetition of falling prices and of a deflationary spiral. He knows that any governmental power which would help prevent such a situation is a cause for added assurance. The power to devalue thus constitutes for the businessman an added assurance that prices will not decline because of depreciation of foreign currencies. I concede at once that it is not a perfect insurance. I grant that notwithstanding the possession of this power it is possible that other countries may be driven to desperate expedients. Yet that fact merely underlies the need for preserving intact the existing power to alter the gold value of the dollar.

Another argument that has been used at great length by the opponents of this bill is that there are no circumstances under which the use of such power would be justified—that, for instance, during the post-war period, when numerous important currencies were depreciating at an astronomical rate, we were able to maintain prosperity in this country without altering the gold content of the dollar. This argument sounds plausible, especially when it is put forth by learned economists who presumably are students of economic history. But in looking into this matter I found that the situation in the post-war years was in no way comparable with that of 1932. The United States in the post-war years was not at a competitive disadvantage in the international markets of the world as a consequence of the depreciation of foreign currencies. During the war years, prices in European countries rose much more than prices in the United States; and at the same time the European currencies were pegged, and not allowed to depreciate. Under such circumstances the United States enjoyed a substantial initial competitive advantage in the world markets. This competitive disadvantage of European currencies was not entirely overcome during the years immediately following the war. Despite the sharp depreciation of their currencies, our competitive position was not impaired, because in those years prices within the countries were rising almost as fast as their currencies were depreciating. Our exports were being maintained at a high level, and we were in a period of rising production and business prosperity. More important, however, was the fact that in the immediate post-war period European countries were engaged in the vast task of economic and social reconstruction. While on the one hand they had an almost unlimited demand for American goods owing to the depletion of their productive equipment resulting from the vast amount of destruction to their economic system in the war period, they were unable to produce increasing amounts for export. Such a comparison of present conditions with those existing in the period immediately after the World War gives a misleading interpretation of both periods.

Opponents of this bill have frequently questioned whether there are any circumstances which would justify the use of the powers granted to the President by this legislation. If the policies of foreign governments are carried out in defiance of any objection on our part, and if their action is not justified and is used solely for the purpose of obtaining a competitive advantage over us, then this power might be used both to protect our markets from imported products which would otherwise come in over the tariff barriers and to help American exporters to maintain their markets abroad. It would be used solely for the protection of American business, and in order to give additional stability to international trade and to international monetary relationships. But I believe that the mere possession of the power will by itself probably be sufficient to deter foreign governments from a course of action which might justify the President's using it.

I do not say it will inevitably be used if other countries depreciate their currencies. For whether or not the depreciation of a foreign currency injures the United States sufficiently for us to take defensive action depends upon a host of factors. It depends upon the trend in prices in the United States and in the country that is depreciating its currency, as well as the importance of that particular currency with regard to United States interests. It depends upon the state of business and of our foreign trade, upon our balance of payments situation, the economic situation abroad, and so forth. There are many cases on record, such as the depreciation of the franc in 1936 and 1937, which for several important reasons did not justify parallel action by the United States.

Continuous study of the factors involved in international trade and in international monetary relationships is necessary in order to provide a safe guide for action by the United States with regard to its currency. There is no danger that the executive branch of this Government would permit the dollar automatically to follow the course of other currencies. It has not done so in the past, and it has no intention of acting without due cause in the future.

Another argument used by opponents of the bill is that the emergency situation which justified granting the powers to the President has passed. It is hard to believe that anybody supposes there is no international emergency. One need only read a few reports coming from foreign countries to tell us

that more countries are planning exceptional measures to increase their export trade and to curtail their imports. The emergency which justified giving these powers to the President is an emergency that has grown in intensity since 1934. Of course, the domestic emergency which existed in March 1933, and which gave rise to the banking holiday, has in large part passed. In view of the legislation that has been enacted within the last 6 years, there is no reason to anticipate a repetition of that critical period. It is chiefly the emergency in the field of international monetary and economic relations which justifies the extension of these powers.

It is sometimes said that the United States should serve as a model for the rest of the world; that if the United States rigidly fixes the gold value of its currency, then other countries would be so impressed by our example that they would follow suit. I am afraid I can find little basis for this hope. It is like saying that if the United States were to give up its Navy, other countries would be so impressed by our desire for peace that they would also give up their navies, and the danger of war would evaporate.

I have heard it stated in committee hearings that depreciation of foreign currencies is not harmful to us, because the American consumer then can buy his imports at a lower price. It is admitted by those who take this position that depreciation of foreign currencies may be bad for the exporter and bad for the domestic manufacturer who sells for the home market, but they say these disadvantages are compensated for by the fact that the American consumer gets his goods at a lower cost. But they forget an important fact. When that happens, the American consumer can buy his imported goods at a lower price only at a terrific cost to himself. He does so at the sacrifice of reduced national income, of falling prices, and increasing unemployment. What avails his ability to buy goods at a lower price when he finds he is out of a job? For example, when foreign currencies were depreciating in 1932 the American workingman could buy imported goods at prices lower than had been seen in this country for decades. Yet he was much worse off than before because of the serious economic repercussions that intensified foreign competition helped to promote.

When we are prosperous, we buy more imports. When we are in a depression, our imports drop. For example, in the year 1932 our imports had fallen to less than half their former level, notwithstanding the fact that imported goods were very low in price. Again, in 1938 our imports fell sharply; and the reason was not that the price of imported goods rose—they had not risen; in fact, they fell a little—but chiefly because we were in a recession.

I have also heard another argument raised in committee hearings on this bill, one that appeared to make an impression on some of the committee members. This argument went as follows: Suppose currencies of other countries do depreciate; that advantage for the foreigner lasts only for a short time. After a while price adjustments will take place which will eliminate that advantage, as follows: In the country whose currency is depreciating, their prices will rise. In our country, prices will fall. They will rise high enough in that country, and fall low enough in our country, to offset the advantage obtained by the depreciation.

This hypothetical chain of events is contrary to the facts. I could cite a number of instances; but let us take the case of Japan. That country depreciated its currency by 60 percent in the 2 years from 1931 to 1933. Yet during that period prices in Japan rose only slightly, and certainly not nearly enough to compensate for the effect of the depreciation. If price adjustments took place with such a degree of rapidity as to offset any competitive disadvantages, then no country would ever attempt to secure a competitive advantage by depreciation and the number of instances of currency depreciation in history would be very small indeed.

The section in the bill dealing with the coinage of silver relates, I would like to point out, only to the power which is now being exercised in the acquisition of newly mined domestic silver. It is under this provision that the President has issued the series of proclamations pursuant to which the Government acquires newly mined domestic silver. The provision of the pending bill is not used to purchase foreign silver.

Last year the Treasury purchased 65,000,000 ounces of domestic silver, for which it paid about $43,000,000, and on which there was a seigniorage accruing to the Government of $43,000,000. It is evident that the economic importance of such an expenditure is quite secondary to the kind of problems I have been discussing with respect to the rest of the bill.

Regardless of its importance, however, there are certain economic advantages that flow from the silver program. In the first place, the coinage of domestic silver does not cost the Treasury or the people of the United States 1 penny. The silver is purchased with the silver dollars that are coined from the silver acquired or with silver certificates secured by the purchased silver. Not only is the acquisition of silver not a loss, but there is, as Senators know, a seigniorage of 64 cents for every ounce of silver acquired; 64 cents which the Treasury can spend when the need arises; 64 cents which when spent makes it necessary to borrow that much less or makes it possible to reduce the outstanding debt by that much.

In the second place, the acquisition of this domestic silver unquestionably adds to employment. I would not venture to say how much. Representatives of the silver States may tell us more about that. I think many of the claims that have been made in this respect have been exaggerated. Nonetheless it cannot be denied that some increase in employment, both direct and indirect, has followed the purchase of domestic silver and that there have been beneficial indirect as well as direct effects. Were the United States to cease acquiring domestic silver, certain communities in our Western States would suffer from the curtailed income in such areas. Unemployment in such areas would increase, and some merchants in those communities would be hard hit. I do not claim that the acquisition of domestic silver is vital to our recovery program or to the maintenance of our national income, but I would not claim that it has no economic advantages.

There are some who concede this and yet fear that the additional acquisition of $40,000,000 worth of domestically mined silver per year added to our monetary base is going to give rise to inflation. The annual acquisitions of newly mined domestic silver are so small in comparison with the magnitude of our monetary and credit structure, that its acquisition hardly presents any danger of inflation.

In conclusion, I consider the continuation of the powers contained in this bill essential for the maintenance of adequate monetary defenses for the United States. It is indispensable to the safeguarding of our export trade and the protection of our home markets. Its enactment will contribute both to domestic recovery and to international monetary stability.

I ask unanimous consent to have printed in the RECORD the majority report on the pending bill.

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

The Committee on Banking and Currency, to whom was referred the bill (H. R. 3325) to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

Section 1 of the bill amends section 10 (a) of the Gold Reserve Act of 1934 so as to provide that a report of the annual audit of the stabilization fund which was established by such section shall be submitted to the Congress as well as to the President.

Section 2 of the bill extends the powers of the President and the Secretary of the Treasury with respect to the stabilization fund for an additional period of 2 years, or until June 30, 1941, unless the President shall sooner declare the existing emergency and the operation of the stabilization fund terminated.

Section 3 of the bill provides for a similar extension of the powers of the President under section 43 (b) (2) of the act of May 12, 1933, as amended (the so-called Thomas amendment), which include the power to alter the metallic content of the dollar

and to acquire newly mined domestic silver for coinage and for addition to the monetary stocks.

Your committee believe that the further extension of these powers as provided by the bill will enable the President and the Secretary of the Treasury to meet any world monetary emergency which may arise in the next 2 years, and thus maintain the position of the United States in world trade.

The function of the stabilization fund, consisting of $2,000,000,000, is to prevent undue day-to-day fluctuations in the foreign exchange value of the dollar.

The devaluation power has a dual function. It was originally granted and exercised to stabilize the dollar at its former international level after drastic depreciation of their currencies by other leading nations had seriously altered that level. Stabilization through devaluation could be effected again should further drastic depreciation of the currencies of other leading nations occur. However, the mere existence of the power acts as a strong deterrent to foreign nations contemplating such depreciation and therefore protects against the situation in which further devaluation would be necessary.

During the 3 years immediately preceding the creation of the stabilization fund in 1934, more than 30 nations departed from the gold standard and adopted either floating currencies or exchange controls. It was to meet, in part, these new monetary developments that the fund was created by the Congress. At the present time practically every country in the world has abandoned the pre-1931 gold standard. Consequently the values of foreign currencies depend chiefly upon the day-to-day decisions of governments based upon continually shifting economic, political, and monetary considerations. Under such conditions the operations of the stabilization fund are necessary to protect American trade by maintaining the dollar's position in the world market.

For about 2½ years after the passage of the Gold Reserve Act of 1934, our stabilization fund acted independently in attempting to stabilize the exchange value of the dollar. In 1936 France was confronted with a monetary crisis and depreciation of its currency seemed imminent. To minimize the disturbing effects of such depreciation on the international economy, to prevent currency depreciation wars, and to facilitate cooperation between the great commercial countries of the world looking toward the "restoration of order in international economic relations" and the maintenance of "the greatest possible equilibrium in the system of international exchange," the United States joined with the Governments of Great Britain and France on September 25, 1936, in the tripartite declaration of policy providing for cooperation among these nations on international monetary matters. Belgium, the Netherlands, and Switzerland have since become parties to this declaration. It should be pointed out, however, that the agreement does not require the United States to sustain the value of any other currency in relation to the value of the American dollar, and all arrangements under the tripartite declaration are terminable upon 24 hours' notice.

Your committee believes, therefore, that it is definitely in the public interest that this country continue to have the power, by means of the stabilization fund, to participate in the tripartite declaration and the related arrangements on an equal footing with other countries. The fund is, under present conditions, a powerful instrument for the protection not only of our stake in world trade but also of every American producer who competes in the American market with foreign producers. It is an indispensable weapon in preventing foreign exchange speculators from manipulating foreign exchange rates for their own profit to the injury of American business both at home and abroad. The mere presence of the fund deters speculators from attempting undesirable manipulations.

Secrecy as to the day-to-day operation of the fund is necessary to its success. That the Congress may be informed as to its operations, however, the bill provides that a report of the annual audit of the fund be submitted to Congress as well as to the President.

As a complement to the stabilization fund powers, section 3 of the bill extends the present authority of the President to alter the gold content of the dollar between 50 and 60 percent of its pre-1934 weight. On January 31, 1934, the President exercised this authority by reducing the gold content of the dollar from 25 8/10 grains nine-tenths fine to 15 5/21 grains nine-tenths fine, which was approximately 59 percent of its former weight. The gold content of the dollar has remained unchanged since that time. The Secretary of the Treasury testified before the committee that there is neither desire nor intent on the part of the administration further to alter the gold value of the dollar except under circumstances which clearly demand such action.

Within the past 5 years over 50 nations have changed the value of their currencies. Recurrent political crises and the danger of further political crises, and war, make it impossible at the present time to work out arrangements for the definitive stabilization of currencies. Furthermore there is no guaranty that other countries will not again depreciate their currencies in order to acquire for themselves a larger share of world trade. In this connection it is to be noted that the value of the currencies of the principal nations of the world may be altered at a moment's notice by action of the executive branch of the Government.

That depreciation of its currency by a leading foreign economic nation is detrimental to American industries producing for domestic or export consumption which compete with foreign producers becomes apparent upon examination of the situation in 1932. At that time the exchange rate on the English pound fell to $3.30. This meant that an article which sold in England for 1 pound and which prior to 1931 would have required $4.86 for its purchase either in England or here could in 1932 be purchased in either country for $3.30. This gave to the English manufacturer a competitive advantage of $1.56 per pound sterling. In addition, ad valorem duties calculated on the dollar value of commodities were in effect substantially reduced. This combination of cost reduction and its consequent effect on tariffs greatly stimulated the importation into this country of English-made goods. The same was true with respect to the products of other countries to the extent that their currencies had been depreciated.

On the other hand, an English importer who prior to 1931 had been able to purchase $4.86 worth of American goods per pound sterling could in 1932 purchase goods worth only $3.30 for his pound. This acted as a severe deterrent to the export of goods from this country to England as well as to other countries having depreciated currencies.

With respect to commodities such as wheat, cotton, sugar, etc., the prices of which are determined in the world market, American producers also suffered greatly as a result of the depreciation of foreign currencies. For example, an American cotton producer, who received 1,000 pounds sterling for a given shipment of cotton could previously convert his pounds sterling into $4,860. When the pound depreciated in terms of the dollar, and the exchange rate fell to $3.30 the same American cotton producer could exchange his 1,000 pounds sterling for only $3,300. This situation also served to depress the domestic prices of such commodities.

Because of the importance of international monetary stability to American producers and because of the present unsettled international economic conditions, as the Secretary of the Treasury has stated, for the United States to surrender any of its instruments for dealing adequately and promptly with international economic and monetary problems as they arise, would tie our hands at a time when immediate action might be crucial. Countries tempted to further depreciate their currencies in order to acquire competitive advantages in the world markets are discouraged from undertaking such action when the United States is ready to meet promptly any such challenge. As a result in the present unsettled international situation, stability, rather than instability, is given to international exchange rates by the existence of the power in the United States to deal promptly and effectively with any currency depreciation.

The power to revalue the dollar in association with the stabilization fund powers has been a dominant factor in helping to maintain favorable ratios between foreign currencies and the dollar, and has given added protection to our world trade.

Your committee agrees with the views expressed by the President of the United States in his communication of January 19, 1939, to the President of the Senate, that the international monetary and economic situation is still such that it would not be safe to permit the powers granted by the legislation creating the stabilization fund and the authority of the President to alter the weight of the dollar, within certain limits, to be terminated.

In view of the foregoing, your committee concludes that the need for continuing the powers of the President and the Secretary of the Treasury as provided in the bill has been established, and accordingly recommends that the bill be enacted.

Mr. McCARRAN. Mr. President——

The PRESIDING OFFICER (Mr. LUCAS in the chair). Does the Senator from New York yield to the Senator from Nevada?

Mr. WAGNER. I yield.

Mr. McCARRAN. I wonder whether the Senator from New York will kindly tell the Senate why the United States should annually take a profit of 50 percent on domestically mined silver, when, as a matter of fact, silver is by law made a part of the monetary metal of this country.

Mr. WAGNER. The only answer I can give is that it has been the custom of the United States, ever since silver has been mined, and of other countries which indulge in the coinage of silver, to affix a governmental charge for coining silver.

There is this to be said, I think, that, even with that charge, the price the Government is paying for silver, I think the Senator will agree, is above the world market price of silver at the present time.

Mr. McCARRAN. Of course, the Senator from New York is entirely mistaken. The Senator from Nevada could not agree with the statement made by the Senator. The per-ounce price of the silver in the American dollar is fixed by law, that law having been enacted with the mintage law, as it was enacted in this country——

Mr. WAGNER. I think the Senator misunderstood me. I was talking about the price of silver bullion on the market; I was not talking about the American silver dollar, because that dollar will buy the same that any other dollar in our currency will buy.

Mr. McCARRAN. I agree that it may buy as much, but the Senator misconstrues the value of an ounce of silver in the American dollar. Evidently the Senator has not read the law regarding the value of an ounce of silver nine-tenths fine in the American dollar, because that is fixed by law at $1.29.

Mr. WAGNER. I agree with that. I was talking about what silver would bring in the market. I was not talking about the price fixed by the Government, or what price the Government puts on it. Let me ask the Senator this question, if the price of silver were not fixed by the Government, what would be the market price of silver as bullion? I am not speaking of the dollar.

Mr. McCARRAN. I would answer that in the Yankee way: What would be the price of gold if it were not fixed by the Government? Gold and silver are the basic metals in the money of the country; and when we eliminate gold we eliminate one of the basic elements of the money of this country; and when we eliminate silver we eliminate another of the basic elements of the money of this country.

Let me answer just a little further while the Senator is on the floor.

Mr. WAGNER. Will not the Senator speak in his own time?

Mr. McCARRAN. No; I want the Senator to answer, though I know he is tired, and I do not want to delay him too long.

Mr. WAGNER. That is all right. The Senator realizes, of course, that I am for the continuation of the power to purchase domestically mined silver, so I do not want to be classed in opposition to the Senator, although I do not think I will be able to vote for the proposal that the Government should be required to pay $1.04 per ounce for silver.

Mr. McCARRAN. Why should it not pay $1.04 when it monetizes it at $1.29? Will the Senator kindly explain that to me?

Mr. WAGNER. The Senator compares gold and silver. As a matter of fact, there is another thing which is not generally understood——

Mr. McCARRAN. I did not compare anything in the question I just propounded. Why should the Government pay less than $1.04 for silver when it monetizes the same commodity at $1.29?

Mr. WAGNER. I cannot answer that question.

Mr. McCARRAN. I know the Senator cannot answer it, and I appreciate his whole position.

Mr. WAGNER. That is a matter of monetary policy. The Senator referred to gold a moment ago. Some statements have been made here which are misleading; for instance, that we are getting so much gold in this country at this time—and we have about sixteen billion—because we are paying a high price for gold. That is not a fact, because every other country in the world pays the same price for gold that we pay.

Mr. McCARRAN. Why have not the other countries acquired the gold?

Mr. WAGNER. Because those who own the gold, those who possess it, want a safe haven, a safe refuge, a place where the gold will be safe. They therefore bring it to this country, as a matter of safety.

Mr. McCARRAN. We have become a great depository for gold.

Mr. WAGNER. We are a depository of some gold brought here by governments and by central banks.

Mr. McCARRAN. Let me make one more statement——

Mr. WAGNER. I want to explain the matter, because the Senator referred to it, and I do not want any confusion.

Mr. McCARRAN. I want the Senator to explain the whole thing at one time, and I should like to ask him another question.

Mr. WAGNER. The Senator spoke about our being a depository for gold. That has nothing to do with the $16,000,000,000 in gold which the United States owns.

Mr. McCARRAN. But we own only one billion of the sixteen billions. Will the Senator admit that?

Mr. WAGNER. No.

Mr. McCARRAN. According to what the Senator has just stated, the rest is only a part of the deposit that has come into this country from foreign countries.

Mr. WAGNER. No. There is on deposit in the United States about $800,000,000, and that has nothing to do with the sixteen billion about which we are talking.

Mr. McCARRAN. One billion.

Mr. WAGNER. I say sixteen billion. That eight or nine hundred million is not owned by the United States Government at all.

That is simply brought here for safekeeping. We are merely a custodian of gold belonging to other countries. That has nothing to do with gold brought to the United States by individuals which at once is sold to the Government. The United States owns that gold. The two propositions are entirely different, but they are sometimes confused.

Mr. McCARRAN. I may say to the Senator that, as I understand the report, less than $1,000,000,000 of the gold is actually owned by the Government of the United States.

Mr. WAGNER. Oh, no; the Senator has been misinformed.

Mr. McCARRAN. No; I have not been misinformed. I take as my authority the records which I propose to introduce.

While the Senator from New York is on his feet I wish to ask him a question. Only a billion dollars of gold is owned by the United States. The remainder is variously earmarked, some to the Federal Reserve bank and some to foreign governments which have brought the gold to the United States to be placed in charge. If the Senator would make a further study of that matter—and I want to be frank with the Senator, and say that I think he tried to make a study—I believe he will come to the same conclusion to which I have come.

Mr. WAGNER. I can only rely on the records of the Treasury of the United States. The Senator is talking about two different things. The money that is earmarked belongs not to the United States but to foreign governments which have brought it over here.

Mr. McCARRAN. That is correct.

Mr. WAGNER. That is gold brought over here simply for safekeeping. Our Government has nothing to do with it. But billions of dollars of gold have come into the United States which the United States has acquired—of course, the individual cannot keep it—and that is the property of the United States. In all, there are some $16,000,000,000 of this gold.

Mr. McCARRAN. Which belongs to the United States?

Mr. WAGNER. Which belongs to the United States.

Mr. McCARRAN. Sixteen billion dollars?

Mr. WAGNER. Mr. President, I have just sent for a pamphlet containing a letter I addressed to the Secretary of the Treasury on this subject.

Mr. BONE. Mr. President, while the Senator is seeking for the matter to which he just referred may I inquire of him about one matter?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Washington?

Mr. McCARRAN. Mr. President, may I ask the Senator from Washington to desist for just a moment? I wish to go back to the silver question, and then I will not hold the floor any longer by way of inquiry.

Mr. WAGNER. In the letter to the Secretary of the Treasury, to which I just referred, I asked the question:

> Who owns the gold now in the Treasury?

The answer was:

> The title to all gold held by the Treasury, now amounting to about $15,000,000,000, is vested in the United States.

The amount has increased somewhat since this was written.

Mr. McCARRAN. Mr. President, does the Senator think the Secretary of the Treasury correctly answered his question?

Mr. WAGNER. Yes; I think he did.

Mr. McCARRAN. Of course, I do not think he did. I think the Secretary avoided the Senator's question. In other words, title is one thing and ownership is another.

Mr. WAGNER. I think the Secretary of the Treasury intended them to mean the same thing.

Mr. McCARRAN. I do not think they are. I do not think even the able Senator from New York ever thought so.

Mr. WAGNER. If the Senator is speaking of absolute ownership and title, they are exactly the same thing. If the Senator is talking about conditional ownership, that is another thing.

Mr. McCARRAN. No; title may be one thing and ownership is another. I may have title to a piece of real estate, but I may not own it. I may hold it in trust.

Mr. WAGNER. Then the Senator is not the owner but is the trustee.

Mr. McCARRAN. No; I am the title owner.

Mr. WAGNER. The Senator is the title owner as trustee.

Mr. McCARRAN. The United States has title to all the gold in the United States today except something less than $1,000,000,000.

Mr. WAGNER. The $16,000,000,000 of gold is owned by the Government, and the Government has issued its gold certificates for it. Of course, all sorts of technical questions may be raised.

Mr. McCARRAN. I believe the Senator would not stand by the statement that the Government has issued certificates for it.

Mr. WAGNER. Certificates were issued to the former owners—to those who sold it. If you have gold and you sell it to the Government, you are going to get paid for it.

Mr. McCARRAN. What has become of those certificates?

Mr. WAGNER. They are probably deposited in the Federal Reserve banks.

Mr. McCARRAN. In the Federal Reserve banks?

Mr. WAGNER. I do not want to be held to that answer because I am not sure about it.

Mr. McCARRAN. The certificates are not in circulation. Let us put it that way. Am I correct that those certificates are not in circulation?

Mr. WAGNER. The individual who sells the gold undoubtedly is entitled to the use of the money which he secures from the Government. The certificates are probably on deposit somewhere.

Mr. McCARRAN. No; let us be frank with each other. The gold certificates are not permitted to come into circulation.

Mr. WAGNER. The gold certificates are not; that is true.

Mr. McCARRAN. That answers the question. Let us now come back to the silver question. The Senator, I take it, does not believe, or I would put it this way—at least he ought not believe that the Government should acquire 50-percent profit on a basic monetary metal.

Mr. WAGNER. I did not quite grasp that question. May I ask the Senator to repeat it?

Mr. McCARRAN. I do not think the able Senator from New York believes that the Government should acquire a 50-percent profit on that which is a basic monetary metal.

Mr. WAGNER. Does the Senator feel then that instead of charging $1.29 per ounce we should charge only $1 per ounce, so that the Government charge for seigniorage will be less?

Mr. McCARRAN. Yes; I believe so, because that is the way the Government sells or puts out the money to the individual, to the Senator, and to me and to the fellow in the street. It is put out at $1.29 to the fellow in the street. Why should the Government charge 64 cents for putting out a dollar for which it charges the fellow on the street $1.29?

Mr. WAGNER. What I was trying to find out is this: Of course seignorage is the profit, is it not, that is charged for the minting?

Mr. McCARRAN. Not necessarily.

Mr. WAGNER. It is usually a profit to the Government.

Mr. McCARRAN. It was originally charged for mintage.

Mr. WAGNER. I understand.

Mr. McCARRAN. And it was very much less than it is now. But down through history that seignorage has been increased to a point where now it involves not only the cost of producing a dollar, which is not 64 cents, but it includes a profit to the Government which is charged on the books as a profit to the Government.

Mr. WAGNER. That is what I was trying to say to the Senator. It represents both the minting charge and profit to the Government. Is it now the Senator's idea that we should reduce that charge which the Government makes to the producer, but at the same time not to increase the price which the Government now pays to the miner for the silver which the Government purchases?

Mr. McCARRAN. Yes. I may explain to the Senator that when I produce an ounce of silver it is worth $1.29 in monetary value. The Government puts it out at $1.29. However, when I produce it and bring it to the mint the Government says, "We will give you 64.64 cents for it. That is all we will give you. But we will put the money out to you—we will hand you the dollar right back today at $1.29." Does the Senator believe that is a correct procedure?

Mr. WAGNER. It would be correct if the Government is justified in charging 64 cents as seigniorage.

Mr. McCARRAN. Seigniorage service represents the cost of minting.

Mr. WAGNER. Is it the Senator's idea that we should keep the price at 64 cents because that is generally conceded to be a fair price?

Mr. McCARRAN. No, no.

Mr. WAGNER. Does the Senator propose that we add to what the producer gets for the silver the amount by which we reduce the seigniorage?

Mr. McCARRAN. Absolutely. Why should the Government acquire a profit on a bushel of corn? Why should silver be considered a commodity when its monetary value is fixed by law? Why should it be considered to be a commodity the same as a bushel of corn or a bushel of wheat?

Mr. WAGNER. We agree that the Government ought to purchase this silver. The only question is as to the matter of price. It may be difficult to defend. I wish to hear from other Senators. My mind is open on the question, because I know what the Senator from Nevada is driving at. He wishes to get more money per ounce of silver for the producer. Is that not true?

Mr. McCARRAN. No; I beg the Senator's pardon.

Mr. WAGNER. Then what is it?

Mr. McCARRAN. I want more money put into circulation, which in turn will give to the producer of silver more for his product.

Mr. WAGNER. Well, then, is the Senator willing to give the producer more for his product? In other words in place of 64 cents per ounce which he now receives, as I understand the amendment, the Senator proposes that the Government pay him $1.04 per ounce?

Mr. McCARRAN. That is correct; leaving 25 cents for mintage.

Mr. WAGNER. Putting it in plain English, that is an increase per ounce to the producer from 64 cents to $1.04.

Mr. McCARRAN. No; it is a decrease from $1.29 down to $1.04.

Mr. WAGNER. Well, whichever way you put it.

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

Mr. WAGNER. I have finished. Before the Senator begins I may say that the Senator from Washington [Mr. BONE] asked me to yield a moment ago just for a question.

Mr. McCARRAN. Before the Senator concludes may I thank the Senator from New York? I know he is tired. He has been on his feet for a long time and I did not mean to heckle him at all.

Mr. WAGNER. Not at all, Mr. President. I enjoy these discussions because the subject is a very interesting one.

Mr. McCARRAN. I thank the Senator from New York.

Mr. WAGNER. But I have not yet been persuaded that the Government ought to give a higher sum.

Mr. McCARRAN. I thank the Senator from New York for holding an open mind, and if the Senator wishes to be persuaded we will get a vote from New York State.

Mr. BONE and Mr. ADAMS addressed the Chair.

The PRESIDING OFFICER. Does the Senator from New York yield; and if so, to whom?

Mr. WAGNER. I yield to the Senator from Washington.

Mr. BONE. From the moment it became the legislative policy of the Government to take possession of all the gold in the country, and to impound it and bury it at Fort Knox, it has not been made plain on the floor of the Senate or the House either, so far as I recall, who owns this gold. I think we have not yet clarified that question and I believe the people of the country ought to know about it.

The Senator from New York says the Government issued certificates for the gold. I take it he simply means that the Government issued gold certificates which have now passed into the hands of private banks. I do not know what that procedure indicates. Does the Senator imply that it is a sort of bailment, and that we are holding the gold in trust?

A certificate must have some meaning, or be utterly meaningless. If it is a certificate of deposit, or a form of bailment, then the private bankers own the gold and the Government does not own it.

As a Member of the Senate I should like to know who owns the gold in the country. If the certificates are outstanding and the gold has not been paid for with lawful money of the United States, such as ordinary Treasury certificates, but the Government holds the gold, with a number of certificates outstanding in the hands of private bankers, obviously the certificates, if they mean anything at all, mean that the Government is holding the gold, and it is simply in the form of a bailment.

Perhaps I am assuming too much; but when we employ the term "certificate," if certificates have been issued and are now in the hands of bankers, I think that situation carries the implication that the gold actually and honestly belongs to the bankers.

That condition raises the question which the Senator from Nevada [Mr. McCARRAN] raised. Who owns the gold? If certificates are issued to private bankers, obviously they have a claim on the gold. Otherwise we would merely give them lawful money of the United States and let not only the naked title but the actual ownership in fee simple rest in the United States Government.

I should like to have that question cleared up by someone.

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

Mr. WAGNER. I yield.

Mr. TAFT. With respect to the approximately $16,000,000,000 in gold, title to which is in the Government, is it not true that certificates are issued to the Federal Reserve banks, and that the Government in effect owes $13,000,000,000 of it to the Federal Reserve banks? It does not appear in the Government statements in one way or the other. The Government owns only some $3,000,000,000, of which $2,000,000,000 is in the stabilization fund, the remainder being in the general balance.

Is not that the general situation?

Mr. WAGNER. I do not entirely agree with that statement. We are again getting down to technicalities. The question is similar to the question which was once discussed, as to who owns the cotton when the Government makes a loan upon cotton. In that case the Government did not own it. The producer still owned the cotton, and the Government simply held the cotton as collateral. In this case the Government takes the gold. You cannot have it. I cannot have it. The Government takes the gold and issues certificates against it. That gold may subsequently be used. It may be withdrawn only for certain specific purposes, principally the settlement of international balances.

Mr. TAFT. Under the law the certificates may be held only by the Federal Reserve banks.

Mr. WAGNER. That is true.

Mr. TAFT. The Federal Reserve banks may obtain the gold only in order to export it from time to time.

Mr. WAGNER. To pay international balances.

Mr. TAFT. I should like to ask the Senator another question. I listened to his long and scholarly address; and I understood him to take the position that devaluation of the dollar is a desirable means of raising domestic prices. He stated that devaluation was done by one country after another, and that each time it succeeded in increasing prosperity. Am I now to understand the Senator to be claiming that the proposed power should be given to the President so that if he thinks domestic prices are too low, or if he thinks devaluation is the way out of the depression, he may devalue the dollar?

Mr. WAGNER. No; and I made no such statement. A number of factors entered into our recovery, beginning with 1933, when we were in the midst of a terrific deflation. At that time our deflation continued because other countries had already depreciated their currencies. Our dollar was high, and for that reason other countries had an advantage over our exporters in the markets of the world and had an advantage over our producers in our domestic markets as well because the tariff barriers were reduced to the extent to which foreign currencies were depreciated, and thus foreign products came in and competed with our domestic products. In a decade there had not been such low prices paid for exported commodities as well as imported commodities.

Mr. TAFT. If the Senator thinks——

Mr. WAGNER. Permit me to finish. That condition continued. We were going down and down. Then we left gold. From the time we started off the gold standard until we actually devalued, the deflationary movement stopped, and prices began to go up.

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

Mr. WAGNER. I yield.

Mr. CONNALLY. The Senator says we went off the gold standard. I do not think the statement of the Senator is accurate. The gold standard still exists, at 59 percent of what the gold standard has always been. What the Senator means is that we discontinued gold payments.

Mr. WAGNER. We stopped gold payments.

Mr. CONNALLY. The gold standard is still in existence.

Mr. WAGNER. I do not want to become too technical about words. Accurately speaking, we did not go off the gold standard, but we did stop payments in gold; and from that time on the price of gold began to go up and the price of the dollar began to go down; and in January 1934 we devalued down to 59 percent. Whether or not one says there were other factors—and I will not dispute that statement—the fact is that our deflationary spiral stopped when we devalued, and prices began to go up, and they have held up pretty well ever since.

Mr. TAFT. We are now in another depression. Would the Senator go through the same process again?

Mr. WAGNER. No; we are not in another depression, whatever the Senator may say. Perhaps the Senator was not paying much attention to national affairs in 1932 and 1933. If he says the condition of the country in 1933 is comparable with the present condition, then he has not been a student of our economic trends.

Mr. TAFT. If the Senator is satisfied with 10,000,000 people out of work, we might as well go home and let the country alone and not try to do anything about legislation.

Mr. WAGNER. Since 1929 about 5,000,000 persons have been added to our eligible working population. So today we have as many employed as we had in 1929, but many young men have since become of age. Approximately 600,000 or 700,000 young men become of age every year, which makes a difference. There will be other times to enter into that discussion.

The Senator has asked a question. I do not think anyone will deny that our deflationary trend—and it was terrific at the time; it was on the point of economic disintegration—was halted. We stopped paying in gold and finally devalued.

Mr. TAFT. I deny that that circumstance had anything to do with what happened, if the Senator would like a denial.

Mr. WAGNER. The denial is not as important to me as it is to the Senator, much as I appreciate his views upon that subject. The Senator apparently believes that the result was a mere coincidence.

Mr. TAFT. Before the committee Secretary Morgenthau advocated——

The PRESIDING OFFICER. Does the Senator from New York further yield to the Senator from Ohio?

Mr. WAGNER. The Senator has asked me a question, which I should like to answer.

The PRESIDING OFFICER. The Senator must observe the rules of debate.

Mr. WAGNER. Considering wholesale prices of all commodities in the United States, taking 1928 as 100, February 1933 shows a level of 61. The prices of many commodities went up. Many farm commodities doubled in price, as the Senator heard from representatives of the farm organizations before our committee. That is why those organizations are so strongly urging the continuation of this power as a matter of defense. I do not want to become too partisan about the matter, but Mr. Frank Gannett, who is an eminent member of the Senator's party, the other day made an address in which he said that we are not devaluing enough; that if we want to help the farmer to obtain better prices we should devalue further.

Mr. TAFT. I am asking whether or not the Senator is now advocating a devaluation of the dollar to raise prices.

Mr. WAGNER. We have not devalued since 1934. The only reason why I want the power continued is for the same reason that a unanimous Senate wanted it continued 2 years ago. There was not a dissenting vote 2 years ago when we extended the power. I want it to be used as a possible weapon against efforts of other countries to depreciate their currencies and seek a competitive advantage over our exporters, as well as in our domestic market. I am sure the fact that the President has had the power to devalue has prevented several efforts to depreciate currencies, which in my opinion would have been executed but for the power which the President had.

The Senator characterized my address as a scholarly address. I know it is not. The Senator merely wanted to be kind. However, I tried to present the facts. As the Senator knows, only a short time ago England began to abandon its pound, and the pound began to go down. Our Government began to inquire what the intention of England was. We wanted to know whether or not she intended to continue to let the pound drop. England was reminded that the President had power to meet any effort to gain advantage over our business people. England stated that the business people of England, particularly the exporters, wanted devaluation to obtain an advantage in the markets of other countries. One advantage which was sought was against our business people. We had the power to devalue, and England knew that if she started a monetary war we had power to come down at least 9 percent further to meet any effort at depreciation; and England stopped that effort.

I want this power for the same reason that we have a navy. No Senator would want to use our Navy unless it were necessary. We want to be in a position to say to other countries, "Do not try to attack us, for we have a navy." The result is that we are not being attacked.

There are some people in this country who say we ought to set an example to the rest of the world by not having a navy. I do not think we are prepared to do that. There are some who say let us not repose this power in the President.

Mr. TAFT. What power?

Mr. WAGNER. The power to devalue the dollar in case other countries should undertake to devalue their currencies. We have been going on for all these years without any effort at devaluation, although we have been watching very alertly the action of other governments.

France abandoned the franc, and it went down; but we did not then devalue our dollar. The stabilization fund was sufficient to take care of that situation, because our business with France was not sufficiently great to justify any further action than simply going in and supporting the franc.

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

Mr. WAGNER. I have not as yet read the prices.

Mr. TAFT. In the statement of the Secretary of the Treasury the only possible reason he gave for exercising this power was the possibility of meeting a competitive devaluation by England. I was considerably alarmed when the Senator from New York during his speech apparently considered devaluation as a means of meeting depressions and raising domestic prices entirely independent of any other action.

Mr. WAGNER. No; the Senator is not correct in that suggestion.

Mr. TAFT. Of course, once we grant the power, it is true the President may adopt that theory again, as he did once before, may he not?

Mr. WAGNER. It was a very serious international situation that finally compelled us to devalue our dollar and reduce the gold content of our dollar. If the Senator will do me the honor to read what I have said, he will find that I spoke only of an international monetary crisis, and that I want the power to exist only as a possible weapon for use if other countries should depreciate their currencies sufficiently to affect our business.

In other words, we ought to have laws upon the statute books to protect our businessmen and to provide a stable international exchange. The power conferred by this bill helps to stabilize that exchange. We are not seeking a monetary war; on the contrary, we joined the tripartite agreement. As a matter of fact, I think it was initiated by this country. Why? In order to provide a stable ratio between the different currencies. That agreement is now in existence, but it is something no country is bound to adhere to. However, we are doing everything possible to prevent the depreciation of currencies of other countries and to maintain a stable dollar in international exchange.

Mr. TAFT. Mr. President, will the Senator yield for one more question?

Mr. WAGNER. I have not answered the first question yet. The Senator refers to prices and raises a query whether the devaluation of the dollar has made any difference in prices. I have here the record of the increase in prices. If the Senator is interested I will read them. Is the Senator interested in prices?

Mr. TAFT. I think I have them already, but I will be glad to hear them stated.

Mr. WAGNER. I thought the Senator made the point about the effect on prices. I have the figures here from 1932, including all commodities. The figures are as follows:

In 1933, 61; 1934, 76; 1935, 82; 1936, 83; 1937, 89; 1938, 82; and the present year 79 plus.

Mr. TAFT. We have raised prices from 60 to 78 by devaluing the dollar 41 percent. Is that about the effect?

Mr. WAGNER. I said during the course of my remarks that I did not contend that devaluation of the dollar was the only factor; there were other factors which entered into it but the devaluation of the dollar was an important factor.

Mr. TAFT. It was a strangely ineffective factor if it could only cause an increase from 60 to 78 when the dollar was devalued 41 percent.

Mr. WAGNER. Is not that a pretty good increase—from 61 to nearly 80? I think that is a very substantial increase, considering all commodities. It is something which I think should not be ignored.

Mr. TAFT. One more question. What is exactly the emergency that justifies our delegating this constitutional power? I could not understand from the Senator's speech just what that emergency is.

Mr. WAGNER. Does not the Senator appreciate there is a chaotic condition in the world today?

Mr. TAFT. Certainly, war is one thing; but under war conditions no nation would undertake to devalue the dollar.

Mr. WAGNER. We read every day of different countries attempting to increase their exports so as to get credit in other countries and doing everything to increase their trade in the foreign markets. Currency depreciation has been a very effective method of gaining export trade in the past. With other countries having devaluation in mind, and discussing it and making actual efforts to devalue—England made one not very long ago and the pound dropped slightly, but England supported the pound after discussions with our officials. I say that we have an emergency, and, if anything, it has been intensified since 1933.

Mr. TAFT. Does the Senator see any reason why that emergency is not going to last for the next 15 years, and does he see any reason to suppose that that condition is not perfectly normal under world conditions, and will be for a long time to come?

Mr. WAGNER. We are asking for an extension of the power for 2 years. We are not asking this extension for 15 years. We will have to meet the situation when the time comes.

Mr. ADAMS obtained the floor.

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

The PRESIDING OFFICER. The clerk will call the roll.

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

Adams	Danaher	La Follette	Reynolds
Andrews	Davis	Lee	Russell
Ashurst	Donahey	Logan	Schwartz
Austin	Downey	Lucas	Schwellenbach
Bailey	Ellender	Lundeen	Sheppard
Bankhead	Frazier	McCarran	Shipstead
Barkley	George	McKellar	Slattery
Bilbo	Gerry	Maloney	Taft
Bone	Gillette	Mead	Thomas, Okla.
Borah	Guffey	Miller	Thomas, Utah
Bridges	Gurney	Minton	Tobey
Brown	Harrison	Murray	Townsend
Bulow	Hatch	Neely	Truman
Burke	Hayden	Norris	Tydings
Byrd	Hill	Nye	Vandenberg
Byrnes	Holman	O'Mahoney	Van Nuys
Capper	Holt	Overton	Wagner
Chavez	Hughes	Pepper	Walsh
Clark, Idaho	Johnson, Calif.	Pittman	Wheeler
Clark, Mo.	Johnson, Colo.	Radcliffe	White
Connally	King	Reed	Wiley

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

Mr. ADAMS. Mr. President, I send to the desk an amendment to the pending bill and ask that it may be read.

The PRESIDING OFFICER. The amendment offered by the Senator from Colorado will be stated.

The CHIEF CLERK. On page 2, it is proposed to strike out lines 3 to 13, both inclusive, and to insert in lieu thereof the following:

SEC. 2. The second sentence added to paragraph (b) (2) of section 43, title III, of the act approved May 12, 1933, by section 12 of said Gold Reserve Act of 1934, as amended, is further amended to read as follows: "The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that the powers so specified which relate to the alteration of the weight of the dollar and subsidiary coins shall expire June 30, 1939, and the powers so specified which relate to the issuance of silver certificates and the coinage of silver dollars and subsidiary coins shall expire January 15, 1941, unless the President shall sooner declare the existing emergency ended."

Mr. ADAMS. Mr. President, the amendment which is offered would strike out the second portion of the pending bill.

The pending bill contains two basic things: One is the extension of the stabilization fund and the powers for its exercise. This amendment does not touch that matter. The second portion of the bill seeks to continue the power of the President to devalue the currency of the United States. This amendment would strike out that power, so that the power to devalue would terminate on the 30th of June.

The domestic purchase of silver does not enter into this particular question, because if this amendment is not agreed to the domestic purchase of silver will continue under the pending bill. The amendment I have submitted excepts the domestic purchase of silver, and continues that power, so that the silver question does not enter into this discussion.

I am speaking in a sense representing the conclusion of one-half the membership of the Banking and Currency Committee, which had extensive hearings upon this question. No member of the Banking and Currency Committee is responsible for the reasons which I ascribe, but they did agree as to the conclusion. There was an even division; and it seemed to me that when one-half of the committee felt that this power should not be extended, it was eminently proper that a minority report should be submitted, and that the views of that half of the Banking and Currency Committee should be submitted to the Senate.

In my judgment, two things are essential to economic recovery in the United States. The first is confidence in the soundness and the just purposes of our Government and in the economic future of our country. Until we have in the minds of the American people a condition of confidence in the soundness and just purposes of their Government and in the economic future of our country, we shall have no recovery. The second essential is the establishment and the maintenance of consumer buying power. There must be not only the need and the desire to purchase goods, but the capacity to pay for them.

In my judgment, devaluation of the currency strikes down or impairs both of these essentials to recovery. It tends to promote uncertainty and instability. No man may safely make a contract on Monday if he has no assurance that the medium of payment on Tuesday will be that which he contemplated when his contract was made. Men put money in the bank on Monday. With the devaluation power existing, no man knows that his bank deposit will not be devalued 15 percent when he goes on Tuesday morning to get it. The result is that contracts and commercial operations within and without the country are in a state of uncertainty; and one essential of all commercial progress is certainty.

The situation as to consumer purchasing power, I think, may well rest upon the statement of the Chief Executive, who said on May 22 of this year:

> In the last analysis, therefore, consumer buying power is the milk in the coconut of all business.

He further said in the same address, which was delivered to the American Retail Federation in their national convention:

> I tell my visitors—

He was speaking of those who came to see him at the White House—

> I tell my visitors that never so long as I am President of the United States will I condemn * * * the business enterprises of the United States to the loss of millions of dollars' worth of customer purchasing power.

In my judgment, the devaluation of the gold dollar in 1934 destroyed a large part of the consumer purchasing power of the country; and it is now proposed to add a further 15 percent to that impairment and destruction.

In my judgment, one of the major impediments to recovery, one of the great obstacles which have slowed down this country in its forward movement along economic lines, has been the necessity of overcoming the impairment and destruction of the purchasing power of the consumers of the country through the devaluation of their currency.

In 1933 and 1934 the United States took over all the gold in the land. They took from the Federal Reserve banks their vast accumulations. Every citizen was ordered to bring in his gold. The citizen was paid approximately $20 an ounce. The Federal Reserve System had acquired its gold upon the established gold prices. The Government, having reduced to its own possession and ownership all the gold in the United States at the then current prices, proceeded to reduce the content of the gold dollar 41 percent, and thus increased the dollar value of the gold in its possession 41 percent. It therefore took from the citizen his gold

pieces, paid for them on the basis of gold at 25 grains to the dollar, and gave to the citizen Federal Reserve certificates or some other form of money on a basis of 15 grains to the dollar; and the Government proceeded to appreciate the gold which it had bought by 41 percent, thus depreciating by 41 percent the currency with which it had paid the citizen. The Federal Reserve banks hold in a sort of an uncertain way gold certificates of deposit.

The Senator from Washington made inquiry a while back as to the ownership of the gold. The daily statement of the United States Treasury of June 15, which I have before me, includes as an asset of the United States Government gold to the amount of $16,027,705,918.54. It offsets as liabilities gold certificates outstanding, outside of the Treasury, in the amount of $2,887,667,279. It includes the gold certificate fund—Board of Governors, Federal Reserve System, $10,625,-275,119.95; redemption fund—Federal Reserve notes, $9,466,-544.33; gold reserve, $156,039,430.93; exchange stabilization fund, $1,800,000,000; working balance and gold in the general fund, $549,257,544.33.

Answering the Senator's question perhaps a little more literally than he wishes, the title to the gold in the United States. There are certain certificates outstanding upon which, under certain conditions, gold may be obtained, but the Federal Reserve bank, and no one else except the United States, owns any of this gold. There is certain earmarked gold which is not included in this statement.

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

Mr. ADAMS. Certainly.

Mr. BONE. We have set up a status, but I find it difficult to get a clear picture of it. What do these certificates imply? Do they imply the right of a bank ultimately to have the gold? I am not asking this in a critical spirit; I am merely seeking information. Suppose we changed this status and went back to the status which existed before the Government seized the gold? Then what would be the status of the gold? Would the private banks be entitled to have the gold on the basis of the certificates outstanding? If we should reverse the whole process and go back to the situation in 1933, who would own the gold, and how much would be privately owned and how much Government owned?

Mr. ADAMS. The Senator is trying to penetrate some of the mystic rites of the Treasury. As a member of the Committee on Banking and Currency, I have tried repeatedly to penetrate those mysteries myself.

Mr. BONE. I am sure the Senator will agree that if there is any group on the face of the earth entitled to penetrate this veil of mystery, it is the United States Senate and the House of Representatives. If we are unable to learn anything about these mysteries, certainly the average man in the street would be hopelessly befuddled. I think the Senator will agree that we are entitled to know, and I am no more informed now than I was when I first asked the question as to who owns the gold for which there are outstanding certificates, which to me imply a bailment of some sort.

Mr. ADAMS. The United States Government owns the gold. It is not a bailment. The Government has a clear title to the gold. There are certain curious things in our financial set-up. For instance, originally, when the Federal Reserve banks were established, we provided that they should issue Federal Reserve notes based upon a gold coverage of 40 percent, so that every Federal Reserve note was redeemable in gold, and the gold was in the Federal Reserve bank to redeem it. Today the Federal Reserve currency is redeemable only in Federal Reserve currency. We may go back as often as we please and have it redeemed in its own kind. We cannot get an ounce of gold. We are on a gold standard, I think unquestionably on a gold standard, which is the unit of value, the thing by which we measure values. But it is not possible to obtain any of the metal which constitutes the unit of value.

In the Federal Reserve banks there are certain so-called gold certificates. They have taken the place of the actual gold which was there, and in some way, undefined, it is expected that some day, if the Federal Reserve banks need the gold, the Treasury Department may let them have it upon these certificates. But the certificates do not entitle them to go and get the gold. They are, however, under the law, used as the coverage for the Federal Reserve notes.

Mr. BANKHEAD. Mr. President——

The PRESIDING OFFICER (Mr. TRUMAN in the chair). Does the Senator from Colorado yield to the Senator from Alabama?

Mr. ADAMS. I yield.

Mr. BANKHEAD. On that point I should like to ask the Senator what rights the Federal Reserve banks have under those gold certificates. Is it not true that if the impounding of the gold by the Government were abandoned, the Federal Reserve banks, under those certificates, would have the right both to the possession and title to the gold?

Mr. ADAMS. I should think so.

Mr. BANKHEAD. Then it is not true that the Government has an absolute title in the gold?

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

Mr. ADAMS. We differ. Let me read a bit of the statute at this point. The Gold Reserve Act contains this provision:

> Upon the approval of this act all right, title, and interest, and every claim of the Federal Reserve Board, of every Federal Reserve bank, and of every Federal Reserve agent, in and to any and all gold coin and gold bullion shall pass to and are hereby vested in the United States.

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

Mr. BANKHEAD. There is another provision authorizing the Treasury to provide regulations covering the transfer, and under the regulations provided under that statute the Federal Reserve has a right to recover that gold.

Mr. ADAMS. In the same section the law proceeds to provide that—

> In payment therefore credits in equivalent amounts in dollars are hereby established in the Treasury in the accounts authorized under the sixteenth paragraph of section 16 of the Federal Reserve Act, as heretofore and by this act amended. * * * Balances in such accounts shall be payable in gold certificates, which shall be in such form and in such denominations as the Secretary of the Treasury may determine.
>
> All gold so transferred, not in the possession of the United States, shall be in custody for the United States, and delivered upon the order of the Secretary of the Treasury, and the Federal Reserve Board, the Federal Reserve banks, and the Federal Reserve agents shall give such instructions and shall take such action as may be necessary to assure that such gold shall be held and delivered.

Mr. KING. Mr. President, will the Senator from Colorado yield?

Mr. ADAMS. I yield.

Mr. KING. Does not the Senator believe that there is an element of trusteeship, or a fiduciary relationship between the Federal Government and the Senator and myself, if the Government comes and takes our gold? If we do not accept that view, then it seems to me we endorse a policy of confiscation, accept the view that the Government may seize our property, and, by giving us a little certificate, deprive us of our ownership, and not impose upon itself the element of trusteeship, or the relationship of a fiduciary to his client.

Mr. BORAH. Would not the element of trusteeship be a mere delusion?

Mr. KING. It may be, under the attitude of some of the elements today in this administration, but actually it would not be, and in morals and in ethics it ought not to be.

Mr. BONE. Mr. President, I think the answer to the question of the Senator from Alabama makes plain that there is still a string attached to the gold, that there is still an element of private ownership in the gold. I am neither affirming my own allegiance to that viewpoint nor denying its validity as a viewpoint worth while, but if the Government intends to take possession of this gold and to own it in fee simple, why would it not have been the proper course for the Government to give Treasury certificates for it, which are actually legal tender, money of the United States, instead of these so-called certificates which carry the implication of a bailment or string attached to the gold? It has not been made plain what these certificates are, but I take it they do convey some sort of possible claim to the use of

the gold at some time. I do not think any of this matter has been made plain, or that any of us are convinced in our own minds as to who owns the gold.

Mr. ADAMS. Mr. President, the United States Government took into its possession all of the gold. It paid for the gold at the then standard rate. After it had taken the gold dollars, it devalued them, so the gold certificates represent what the Federal Reserve banks hold, and conceding there is a string attached, it is a string on 59 percent of the gold which was taken over when the Government got all of the gold. In other words, the Federal Government asserted the right to take possession and pay the Federal Reserve gold certificates at 59 percent of the value of the gold which it took.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator from Colorado yield?

Mr. ADAMS. I yield.

Mr. THOMAS of Oklahoma. In connection with the remarks made by the Senator, I ask unanimous consent to place in the RECORD at this point a copy of the law seeking to establish the ownership in the gold. The Senator has read just one section. There are two sections in the law. The first section authorizes the Treasury to take the gold. The second section referred to the Gold Reserve Act, which tried to place the ownership in the Treasury of the United States, namely, in the people of the United States.

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

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

Section 3 of Public, No. 1, Seventy-third Congress, approved March 9, 1933, contains the following language:

"Whenever in the judgment of the Secretary of the Treasury such action is necessary to protect the currency system of the United States, the Secretary of the Treasury, in his discretion, may require any or all individuals, partnerships, associations, and corporations to pay and deliver to the Treasurer of the United States any or all gold coin, gold bullion, and gold certificates owned by such individuals, partnerships, associations, and corporations. Upon receipt of such gold coin, gold bullion, or gold certificates, the Secretary of the Treasury shall pay therefor an equivalent amount of any other form of coin or currency coined or issued under the laws of the United States * * *."

Section 2 of Public, No. 87, Seventy-third Congress, known as the "Gold Reserve Act," and approved January 30, 1934, contains the following language:

"SEC. 2. (a) Upon the approval of this act all right, title, and interest, and every claim of the Federal Reserve Board, of every Federal Reserve bank, and of every Federal Reserve agent, in and to any and all gold coin and gold bullion shall pass to and are hereby vested in the United States; and in payment therefor credits in equivalent amounts in dollars are hereby established in the Treasury in the accounts authorized under the sixteenth paragraph of section 16 of the Federal Reserve Act, as hertofore and by this act amended (U. S. C., title 12, sec. 467). Balances in such accounts shall be payable in gold certificates, which shall be in such form and in such denominations as the Secretary of the Treasury may determine * * *."

Mr. THOMAS of Oklahoma. Mr. President, I hold in my hand a copy of the rules and regulations of the Treasury Department relative to the ownership of gold and the handling of gold. I myself have seen a gold certificate of the kind mentioned in the discussion. These certificates are of the exact size of the bills which my colleagues have in their pockets if they are lucky enough to have bills in their pockets. They are like silver certificates, Treasury notes, or Federal Reserve notes. These certificates are printed on the same paper exactly as the bills which Senators have. They are of the same size, and if Senators were to see one of them and not make a close examination, they would think they were the old gold certificates which were in circulation prior to the devaluation of gold. On one side they are printed exactly the same as the gold certificates were printed, and on the other side in yellow. In addition to being of the same size, on the same kind of paper, and printed in the same color ink, the certificate contains the following wording:

This is to certify that there is on deposit in the Treasury of the United States of America—

Then the number of dollars. The smallest amount is $100, the next is $1,000, the third is $10,000, and the fourth is $100,000. One of those figures appears on each of these certificates that have been printed—

This is to certify that there is on deposit in the Treasury of the United States of America ——— dollars in gold payable to bearer on demand as authorized by law.

To the left of the picture on the gold certificates we find the word "gold" in large type above, and about an inch below that the word "certificate." Between the two words "gold" and "certificate" we find this language:

This certificate is legal tender in the amount thereof in payment of all debts and dues, public and private.

It is my interpretation that this certificate is in every sense a gold certificate as we now remember seeing them in earlier days, save in one particular. This certificate contains the words "as authorized by law." Of course, the rules and regulations provide the authorization. These certificates are to be placed only with the Federal Reserve banks. No one else is authorized to receive a gold certificate. If in the possession of anyone else they would be considered to be counterfeit, although the Federal Reserve banks have these certificates to the extent of a few billion dollars.

Mr. ADAMS. Mr. President, I do not wish to get into an extended discussion of gold.

Mr. BONE. Mr. President, I should like to ask the Senator from Oklahoma a question, if I may.

Mr. ADAMS. I yield to the Senator from Washington.

Mr. BONE. What, in the Senator's judgement, is implied, so far as ownership is concerned, by the existence of certificates of that kind in the hands of private banks? In the judgment of the Senator, does it imply ownership—equitable ownership at least—in those banks?

Mr. THOMAS of Oklahoma. At a later hour, if not today, then tomorrow, I shall hope to have the floor in my own right. At such time I shall try to answer such questions as may be propounded. I may state in answer to the question just propounded by the Senator from Washington that these certificates come as nearly retaining ownership and title in the Federal Reserve banks as it is humanly and ingeniously possible for a certificate to be drawn. If we have a change of administration and the so-called conservatives get into control, in my judgment, the gold would be turned back to the holders of these certificates.

Mr. ADAMS. Mr. President, just one additional word in relation to the gold situation. It is unlawful under the present state of the law for any individual or any private corporation to have in its possession any gold. In other words, the Federal Reserve banks, even though they could get the gold, could not pay it out unless the law should be amended.

Mr. BANKHEAD. Mr. President, before we leave that point I should like to make a statement. During the consideration of the bill before the Committee on Banking and Currency I discovered for the first time that there was a controversy about the ownership of gold, and I tried to clear the matter up the best I could. I addressed a letter to the chairman of the committee [Mr. GLASS] and asked him to call on the Secretary of the Treasury and the Governor of the Federal Reserve System for a statement on that subject. I have letters from each of them addressed to the Senator from Virginia, and without taking the time of the Senate now, but merely as a part of the present debate in order to keep the subject as clear as we can, I ask to have those letters incorporated in the RECORD at this point.

Mr. ADAMS. I am very glad to have that done.

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

The letters are as follows:

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, April 24, 1939.

Hon. CARTER GLASS,
United States Senate, Washington, D. C.

DEAR SENATOR GLASS: In reply to the questions raised in Senator BANKHEAD's letter of March 21, which you enclosed with your letter

of March 30, the Board wishes to state that title to gold held in the Treasury is vested in the United States. The great bulk of this gold has been indirectly added to the money supply of the country through the issuance of gold certificates against it. In the following paragraphs there is a brief discussion of several phases of this question:

1. Of the $15,500,000,000 of gold which the Treasury holds $12,700,000,000 is pledged as security against an equal amount of outstanding gold certificates—including credits payable in such certificates. Under existing law this gold cannot be used for any other purpose so long as the certificates are outstanding. In addition, $156,000,000 is held by the Treasury, pursuant to law, as a reserve against United States notes.

2. All but a small amount of the gold certificates now outstanding have been issued by the Treasury to obtain gold or credits from the Federal Reserve banks. The Federal Reserve banks acquired $3,600,000,000 of new gold certificates in exchange for their gold reserves which they transferred to the Treasury in January 1934. The remaining gold certificates which they hold have been issued largely for gold purchased by the Treasury since that time. The gold is paid for by drafts on the Treasury's account with the Federal Reserve banks. Having acquired the gold, the Treasury then replenishes its account at these banks by issuing gold certificates to them. The results of the operation are that (1) the Treasury has acquired the gold, (2) the Federal Reserve banks have acquired gold certificates, (3) the Treasury's balances at the Reserve banks have been maintained, (4) an equivalent amount of reserve funds has been paid out and added to member bank reserves, and (5) deposits held by the public and available for payments either by check or in currency have increased. In brief, the effect of the gold inflow on the banking and credit situation has been the same as would have been that of an inflow of gold under the automatic gold standard.

3. Since January 31, 1934, more than $8,000,000,000 of gold has been purchased in this manner and member-bank reserves have increased from about $2,000,000,000 to $9,600,000,000. This increase in member-bank reserves presents a serious potential problem from the point of view of control of an inflationary situation if one should develop.

4. About $2,500,000,000 of gold in the Treasury has not yet been put to active use and is therefore at the free dispostion of the Treasury. The stabilization fund holds $1,800,000,000 of this gold, representing a portion of the profit realized when the gold content of the dollar was reduced and the price of gold was raised from $20.67 an ounce to $35. The remainder of the unused gold, about $700,000,000, is in the general fund of the Treasury. To the extent that the Treasury puts this $2,500,000,000 to use in the form of gold certificates, additional funds will be disbursed and member-bank reserves will be further increased.

5. Since the existing supply of currency and deposits in the hands of the public is considerably greater than in 1929, and is not being actively used, since the commercial banks have an unprecedented volume of excess reserves readily available for a further expansion of currency and deposits, and since the Federal Reserve System stands ready to supply additional funds whenever such action will serve the public welfare, the Board believes that additional issues of Treasury currency to the public, whether related to the gold stock now held or not, can serve no useful monetary purpose at this time and would make the problem of excessive bank reserves in the future more difficult to handle.

Sincerely yours,

M. S. ECCLES, *Chairman.*

APRIL 24, 1939.

DEAR MR. CHAIRMAN: Reference is made to your letter of March 30, 1939, enclosing a copy of a letter from Senator BANKHEAD, with respect to the ownership of the gold held by the Treasury.

The Treasury holds at the present time about $15,000,000,000 in gold. Title to all of this gold is vested in the United States.

A large part of the gold held by the Treasury ($12,336,858,533 on March 15, 1939) is held as security for gold certificates (or credits payable in gold certificates) issued to and held by the Federal Reserve banks pursuant to the Gold Reserve Act of 1934.

Section 6 of the Gold Reserve Act provides in part:

"Except to the extent permitted in regulations which may be issued hereunder by the Secretary of the Treasury with the approval of the President, no currency of the United States shall be redeemed in gold: *Provided, however,* That gold certificates owned by the Federal Reserve banks shall be redeemed at such times and in such amounts as, in the judgment of the Secretary of the Treasury, are necessary to maintain the equal purchasing power of every kind of currency of the United States * * *."

Section 28 of the provisional regulations issued under the Gold Reserve Act of 1934 provides in part:

"The Federal Reserve banks may from time to time acquire from the United States by redemption of gold certificates in accordance with section 6 of the act, such amounts of gold bullion as, in the judgment of the Secretary of the Treasury, are necessary to settle international balances or to maintain the equal purchasing power of every kind of currency of the United States * * *."

In other words, the gold certificates held by the Federal Reserve banks may be redeemed in such amounts of gold bullion as, in the judgment of the Secretary of the Treasury, are necessary to settle international balances or to maintain the equal purchasing power of every kind of United States currency.

The remainder of the gold held by the Treasury is accounted for as follows:

Gold reserve—held pursuant to law as a reserve against United States notes and Treasury notes of 1890	$156,039,430
Allocated to the stabilization fund	1,800,000,000
Gold in general fund (against which gold certificates or credits have not as yet been issued):	
(a) Balance of increment resulting from reduction in the weight of the gold dollar	142,288,196
(b) In working balance	547,899,564

The Treasury Department disposes of gold in the following ways:

(a) For use in industry, profession, or art. Any person needing gold for any such purpose can purchase gold from the United States mints and assay offices.

(b) For the purpose of meeting the international balance of payments. To this end the Treasury sells gold to the members of the Tripartite Accord and to their stabilization funds and fiscal agencies. The Treasury also may sell gold to foreign central banks upon application and under special conditions.

Neither Americans nor foreigners can obtain gold from the Treasury for the purposes of hoarding.

Very truly yours,

(Signed) JOHN W. HANES,
Acting Secretary of the Treasury.

Hon. CARTER GLASS,
Chairman, Subcommittee on Monetary Policy, Banking, and Deposit Insurance of the Committee on Banking and Currency, United States Senate

Mr. ADAMS. Mr. President, the United States made a profit of $2,800,000,000 on the gold which it held and that which it impounded from the Federal Reserve banks and from its citizens. It did that by changing the gold content of the dollar. It reduced the gold content of the dollar from 25.8 grains to 15.21 grains of gold. That profit resulted to the United States.

There was another phase to this devaluation. By this devaluation which then took place there was, in my judgment, a reduction of 41 percent in the intrinsic value of every dollar of money in the United States and of every item of credit in the United States. In the banks there were $40,000,000,000 of deposits belonging to 50,000,000 American citizens. The devaluation at that time reduced the intrinsic value of those deposits 41 percent. I am using the word "intrinsic" for this reason. Dollars in the United States are theoretically redeemable in gold. We are on the gold standard. That is the measurement of the value of our dollars. The dollar which the depositor had in the bank before devaluation entitled him to 25 grains of gold. The day after devaluation it entitled him to 15 grains of gold.

There was a reduction in purchasing power of the consumers of America. Every bond in the United States became payable in a dollar of lesser value. Every insurance policy, the premiums upon which were paid in full-value dollars, became payable in devalued dollars. There are 64,000,000 insurance policies in the United States. Every book account, every credit, every note became worth less as a matter of intrinsic worth by 41 percent.

With the President I agree that recovery must be based upon increased consumer purchasing power. You cannot increase consumer purchasing power by reducing the purchasing power of his money, of his credits, of his bonds, of his insurance policies. And now it is proposed that we authorize a further devaluation of 15 percent. The term "devaluation" is a very accurate term.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield?

Mr. ADAMS. I yield.

Mr. THOMAS of Oklahoma. What would be the price of wheat today had the dollar not been devalued in 1934?

Mr. ADAMS. I will say to the Senator that I have lost my glass globe. I cannot look into the magic ball and see.

Mr. THOMAS of Oklahoma. What would be the price of cotton today had the dollar not been devalued in gold in 1934?

Mr. ADAMS. I will say in answer to the Senator's question that if I had a thousand yards of cloth, my stock in trade, and Congress were to pass a law that hereafter the yard should be 24 inches instead of 36 inches long, I would

then have 1,500 yards of cloth instead of my original 1,000 yards of cloth, but I would have no more cloth. It would not be exchangeable for anything in addition.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield further?

Mr. ADAMS. I yield.

Mr. THOMAS of Oklahoma. I have figures here which have been worked out by a mathematician, and, if the Senator will permit, I should like to place a few of those figures in the RECORD. Wheat and cotton are known to be world commodities. Those two commodities are measured each day of the year in terms of gold throughout the world, and the price does not vary on the world exchange market save for the cost of transportation, insurance, and things of that character.

In 1934, before the gold dollar was devalued, the price of cotton was 8.21 cents a pound. Had we not devalued the gold dollar, that same pound of cotton would be selling today for 4.84 cents.

In 1934 wheat was selling for 73½ cents a bushel. The record shows that had we not devalued the gold dollar a bushel of wheat today would be selling for 43.6 cents.

Later I shall go through the whole list and show how the devaluation of the gold dollar raised the price of all world commodities correspondingly and comparably with the percent of devaluation.

Mr. ADAMS. Mr. President, I have before me a volume of Agricultural Statistics, a Federal publication, covering the index numbers of farm values, figuring the price of July 1914 as 100.

In 1932 the average of the grains was 44. In 1933—that was before devaluation—they increased to 62. In 1934 they increased to 93. The same proportion of increase occurred after devaluation as before. As one goes through the tables one will find that there were increases, yes, but the increases in my judgment may not be ascribed entirely to devaluation. I grant that it had some influence; but there were other things of great significance affecting prices. If we go back to the time before devaluation, we find that the unit price of grains in 1925 was 157. In 1926 it was 131; in 1927, 128; and in 1928, 130. In other words, the devaluation did not bring these prices back to their level under the stabilized dollar.

Important as the amount of gold in a dollar may be, I am not willing to concede that that factor, in and of itself, accounts for the change in price. As I was seeking to illustrate, if we merely change the yardstick in measuring our cloth, we do not determine the price of cotton or grain merely in terms of dollars when we say it will bring more dollars, if the dollars received for the commodity are in the aggregate worth as little as or less than the larger dollars which would previously have been received. The prices of the grains, cotton, and other agricultural products did not increase, even in dollar price, in proportion to the 41-percent devaluation.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator further yield?

Mr. ADAMS. I yield.

Mr. THOMAS of Oklahoma. Let me ask the Senator a categorical question. If the Congress should proceed to exercise its power and place more gold in the dollar, and place the new dollar in circulation, would not that have the effect of decreasing the price of world commodities such as cotton and wheat?

Mr. ADAMS. In terms of the then dollar; not necessarily in terms of exchange into other forms of wealth.

Mr. THOMAS of Oklahoma. I am talking about world commodities like cotton and wheat. They are known to be world commodities.

Mr. ADAMS. Yes.

Mr. THOMAS of Oklahoma. I now make the converse inquiry. If we should decrease the amount of gold in the dollar, making the dollar smaller in terms of gold, and then place that new dollar in circulation, would not that have the effect of increasing the prices of wheat and cotton in dollars?

Mr. ADAMS. I will say frankly to the Senator that so far as actual dollars are concerned, in terms of quantity of gold, I think the change would be practically nothing. If we change our standard of measurement, and one day it is a 15-grain gold dollar, and another day a 25-grain gold dollar, which is the standard, we shall have price fluctuations, but we shall not have value fluctuations, measured in the international markets in terms of exchange into other commodities.

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

Mr. ADAMS. Gladly.

Mr. SCHWELLENBACH. Does not the Senator realize that in his answer prior to the last question he has negatived the argument he previously made as to the result of the devaluation? A few minutes ago the Senator said that on the day after the devaluation the intrinsic value was decreased by 41 percent.

Mr. ADAMS. In terms of money, credits, and things of that type.

Mr. SCHWELLENBACH. For practical purposes, does not the value have to be translated into terms of domestic commodities indices?

Mr. ADAMS. Not at all.

Mr. SCHWELLENBACH. Why not?

Mr. ADAMS. Because what we are dealing with is a measuring standard. As I have tried to illustrate with my thousand yards of cloth, if Congress should say that the yard should be 24 inches, then we should have 1,500 yards of cloth where we had only a thousand before; but the cloth would be of the same value as it was before.

Mr. SCHWELLENBACH. In order to make the analogy of value, would not we have to barter the cloth for something else? If we could obtain the same amount of shoes for that amount of cloth, would there be any practical result from the change in the measuring instrument so far as the cloth is concerned?

Mr. ADAMS. When translated into terms of shoes, no; in terms of dollars, yes. We could reach the same result if we had a certain price and changed our dollar. If we reduced the gold content of our dollar to 50 percent, of course, we would double the number of dollars it would take to buy that particular roll of cloth.

Mr. SCHWELLENBACH. When we come to the next step we find that even though the number of dollars is different we obtain the same number of shoes we would have obtained before the change in the measure of the cloth. There would be no practical effect.

Mr. ADAMS. That is correct.

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

Mr. ADAMS. Certainly.

Mr. TYDINGS. Taking the Senator's illustration of translating a thousand yards of cloth into 1,500 yards of cloth, the same illustration would apply to translating a thousand pairs of shoes into 1,500 pairs of shoes, would it not?

Mr. ADAMS. Certainly.

Mr. TYDINGS. So if one man had the cloth and another had the shoes, after devaluation the money in buying or selling would be only an incident to the transaction, a medium of exchange.

Mr. ADAMS. Yes. Let me translate it into terms.

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

Mr. ADAMS. I shall be glad to yield in a moment.

I am now assuming that we have 1,000 yards of cloth. Let us assume that its price is a dollar per yard, or $1,000. Then we devalue the dollar 41 percent. To buy the thousand yards of cloth would require $1,695. Conversely, if we take the thousand yards before devaluation, it could be bought for $1,000. After devaluation it would cost $1,695. The converse of the situation is applicable.

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

Mr. ADAMS. Let me complete my statement. After devaluation 1,000 devalued dollars would buy only 590 yards of the cloth.

I now yield to the Senator from Oklahoma.

Mr. LEE. Following the same illustration, as between the man who sells shoes and the man who sells the finished cloth, the illustration would work. However, when we come to the farmer who produces the raw product he would have to produce a third more cowhides to make enough dollars to pay his debts or pay his taxes, and he would have to produce a third more cotton to make enough dollars to pay the interest on his debts, insurance premiums, and all other fixed charges.

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

The PRESIDING OFFICER (Mr. SCHWELLENBACH in the chair). Does the Senator from Colorado yield to the Senator from Maryland?

Mr. ADAMS. I yield.

Mr. TYDINGS. Of course, if the farmer sold his wheat and was paid in devalued dollars, he would have a third more dollars in devalued money than he would have in sound money; but when he came to buy shoes he would require a third more dollars to pay for the shoes in devalued money than in sound money. So in the end, when the transaction was completed, it would require just as much wheat to buy a pair of shoes as it did before the devaluation.

Mr. ADAMS. Let me try to answer the Senator from Oklahoma by following along the line that the distinguished, able, learned, and resourceful Senator from New York [Mr. WAGNER]—and I mean every word of it—pursued.

Mr. WAGNER. If the Senator's estimate were only half true it would be very flattering.

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

Mr. ADAMS. Certainly.

Mr. NORRIS. I wish to follow up the Senator's calculations on dollars with respect to the cost of the hides. The Senator from Maryland says that if a man wanted to buy shoes, he could not buy any more shoes after devaluation than before. Suppose a farmer who had $1,500 instead of $1,000 wanted to pay his debts, which were payable in dollars: Could he not pay more debts?

Mr. ADAMS. The devaluation would unquestionably provide a cheaper medium for the payment of debts. The man who worked day by day in the mill or factory would save, say, $1,000, representing labor, sweat, and thrift, and put it in a savings bank. After devaluation he could be paid back with the equivalent of $590. In other words, the bank could pay him back much more cheaply.

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

Mr. ADAMS. I yield.

Mr. LEE. Would not the same reasoning apply to the payment of the farmer's taxes?

Mr. ADAMS. Yes.

Mr. LEE. Would it not require much more of his commodity to pay his taxes under the high dollar than under the cheaper dollar?

Mr. ADAMS. We cannot translate the dollar in that way. I am going on, if the Senator will excuse me.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield for one further question?

Mr. ADAMS. If the Senator will pardon me, I merely wish to make an explanation which will give my view of the situation.

The argument presented by the Senator from New York [Mr. WAGNER] is that devaluation is beneficial to export trade; that it is a weapon to meet devaluation in other countries. I will say to the Senator from New York that if the other countries have an advantage over us when they devalue their currency, it is because then they pay less for their materials and less for their labor. The sum total of the argument of the Senator from New York is that we should do the same thing. The only way we can meet them is by devaluing the dollar, thereby paying less in wages and less to the farmer and those who produce the raw materials. Then by paying less for wages and for material, we can sell more cheaply in the European markets. We can sell more cheaply only if we can produce more cheaply, and the only way we can produce more cheaply is to cut wages and the prices we pay to the producers of the raw materials.

That is what happens right down the line. Why? It is based on the psychological theory that the workman, the farmer, has been getting so many dollars a week; that is his standard; when the dollar is devalued his wages are not raised in proportion but he continues to get the same wage in dollars. The result is he is producing for a lesser wage. That is the only way in which devaluation can put us on a par with foreign countries which undertake devaluation, and which, because of devaluation, are able to produce more cheaply.

The Senator is probably correct that there is advantage temporarily. If an increase merely in the tonnage of exports is an advantage, but the worth of an export is not to be determined by the value of that which we send out, but by the value of that which comes in in exchange for it. That is the test. We do not simply want to send out our cotton and our wheat, regardless of what comes in. The important thing is what we get for the cotton and the wheat which we export. We could get an enormous export trade if we would cut our prices. All we would have to do would be to cut our prices sufficiently low and we could readily dispose of our cotton and our wheat. Our problem is to see how much we can get for them and not how little we can get for them. Devaluation tends to get us less and not more. Devaluation may result in sending our products abroad, but it puts the burden on the back of the worker, the producer, of lowered returns for our exported products, and reduces our standard of living.

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

Mr. ADAMS. Certainly.

Mr. BARKLEY. Taking the illustration the Senator has just given of a foreign country devaluing its currency and ours remaining static, may it not result not only in impeding the exportation of American products and forcing us to retain them at home, but also in lowering the bars still further to the importation of the foreign product made through cheaper labor and cheaper material? So we would have the disadvantage of maintaining all our production without any ability to export, and we might also be flooded with cheaper products from foreign countries. So that we would have all that we could produce here without an export market for it, and all that they could ship in under a cheaper currency to compete with what we have here at home. Would not that be the result, and would that condition not have resulted if we had not taken the action we did take in regard to the devaluation of our currency?

Mr. ADAMS. The Senator has been a leading actor in legislative matters here for many years. He knows that the President of the United States is empowered today to change the tariff to meet differences in cost of production at home and abroad. If the cost abroad is reduced by the devaluation of foreign currencies, the President now has the authority to raise the tariff wall to protect us against the lower-priced foreign product.

Mr. BARKLEY. Only to a limited extent—50 percent. The President can, of course, on the recommendation of the Tariff Commission, increase the tariff 50 percent.

Mr. ADAMS. The Senator says the President has authority to increase the tariff 50 percent. Certainly the only devaluation possible under the pending bill is 15 percent.

Mr. BARKLEY. I understand that; there is no controversy over that question; but that is 9 percent, represented by the difference between 50 and 59 percent, more than the dollar has been devalued. The President did not cut to the full extent in devaluing the dollar, and there is 9 percent of the original value which is left, which is 15 percent of the Senator's 59-cent dollar, as he contends. The point is that, if a foreign country can cheapen its currency and get an advantage over us in the foreign market, the same sort of advantage will accrue in our domestic market, so that we will have all that we can produce and that otherwise we might ship out in addition to what foreign countries might ship in; and I doubt very seriously whether any President would exercise the right to raise the tariff rate sufficiently to counteract that influence.

Mr. ADAMS. The Senator will recognize and concede, will he not, that the price of any product is made up principally of the elements of labor cost and the cost of raw material?

Mr. BARKLEY. Oh, yes; that is so.

Mr. ADAMS. So that if there is to be any impairment of prices in any way it can come as a result of lower labor costs or of lower cost to those who produce the raw material?

Mr. BARKLEY. If that be true, and if it be admitted, for the sake of the argument, that we would have to adjust our cost of production to correspond with the cheapening of production in other countries, might we not be driven to the point where we would either have to consider doing that or consider the possibility of having the value of our labor lowered even more by an enormous importation of products from other countries that otherwise could be kept out by a stabilized currency between the two?

Mr. ADAMS. If the Senator is not willing to have the tariff bars put up—I happen to be a high-tariff Democrat, and I am in favor of putting up the tariff—if foreign countries devalue their currencies and produce that condition, I would favor raising the tariff high enough to prevent the depreciation of our labor and our farmer and our producer.

Mr. BARKLEY. We have now the highest tariff, on the average, that we have ever had in this country, and, of course, world conditions have made it impossible to deal with the tariff question in detail as we have heretofore done, for it required 18 months to get through Congress the last tariff law that was enacted. If we were to undertake a comprehensive revision of the tariff law again, under world conditions as they now are, it might take even longer; and when we had finished we might not have done anything because of the more or less kaleidoscopic changes that occur in economic conditions in the world. I do not know from what the Senator has said whether he would be in favor of a general raising of tariff walls above what they now are or whether, on specific articles that might justify, in his judgment, an increase in tariff, he would follow such a course.

Mr. ADAMS. I would rather raise the tariffs, if necessary, piecemeal against certain nations than, in order to meet devaluation by one nation, destroy the value of our bank deposits, our insurance policies, our credits, and bonds, and things of that kind.

Mr. BARKLEY. Of course, I do not agree that devaluation would do that.

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

Mr. ADAMS. I yield.

Mr. TYDINGS. Is it not a fact that whenever one country has provided a high tariff every other country in the world has later on enacted a high tariff; and is it not a fact that whenever one country has depreciated its currency eventually every other country has depreciated its currency? If that is a fact, what would be the advantage of depreciating our currency? Does anyone think it would be more than a year before England, France, and other countries would devalue their money so as to remain on the same parity they are today? Would we not then all be in the same fix we are now? We would not accomplish anything for anybody.

Mr. ADAMS. The United States of America is the only nation which, in a sound condition and not threatened with a financial catastrophe, has ever devalued its currency.

Mr. O'MAHONEY. Mr. President——

Mr. TYDINGS. Mr. President, is it not a fact that the first nation in the world that depreciated and devalued its money was France; and that it was immediately followed by Belgium and Switzerland and England and other countries? I do not refer to Germany or the countries that were defeated in the World War; I refer to the victor nations. Eventually we devalued our money, and then what happened? They devalued their money again and that was the reason for the international stabilization fund. We were the first nation to raise our tariff. Then the other countries of the world raised their tariffs. So if anybody assumes that there is going to be an advantage in world trade if we devalue our dollar, they reckon upon the mistaken idea that there are not smart men in other countries who no sooner than we devalue our money will devalue theirs in order to occupy the same relative position which they occupy today.

Mr. ADAMS. I will say to the Senator from Maryland that the first devaluation did not take place at the time he suggests. If he will read English history, French history, and Italian history, the Senator will find that there a devaluation took place in the twelfth century, in the thirteenth century, and in the fourteenth century, and on down. In England it was a very common practice for the King to call in the currency and proceed to conduct a physical devaluation, either by remelting it, or recoining it, or by the crude process of clipping. We have not done that in this country. A great, rich, wealthy Nation, we have borrowed money; many of our corporations in this period have signed and issued bonds, and then you and I and men in the other branch of Congress and at the other end of the Avenue proceeded to provide that those debts could be paid at 59 cents on the dollar. We, a solvent, rich, powerful Nation, were the first great Nation in the world that ever even partially repudiated its debts.

Mr. TYDINGS. Mr. President, will the Senator yield for just one more question?

Mr. ADAMS. I must first yield to the Senator from Wyoming.

Mr. TYDINGS. I wish to ask the Senator merely one more question.

Mr. ADAMS. No; the Senator from Wyoming is my neighbor.

Mr. O'MAHONEY. Mr. President, I was hoping that the Senator from Colorado, in response to the Senator from Kentucky, might point out that every effort is being made by way of reciprocal trade agreements to cut down the tariff wall. Then I was going to ask the Senator whether, in his opinion, there is any uniformity or congruity between a program which cuts down the tariff walls to all the nations of the world under the most-favored-nation clause and at the same time proposes a devaluation of the dollar?

Mr. ADAMS. The Senator knows that he and I are in entire accord on that question.

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

Mr. ADAMS. I want to make a statement, and then I will yield. We have in this bill two provisions. One takes $2,000,000,000 of money which we acquired by devaluing the gold dollar and makes of that sum a stabilization fund. For what purpose? To stabilize the American dollar throughout the world. We do not want it changed. The second provision of the bill gives the President the power to unstabilize the dollar.

We have these two powers. Perhaps what we want to do is to find out which is the more potent—the power to unstabilize or the power to stabilize. To me the two things are utterly inconsistent and incompatible, and one or the other should go out of the bill and out of our country's policy. For my own individual choice I have been unwilling to take out the stabilization fund, which is honestly administered for purposes of world economy and stabilization, and substitute for it a policy which I do not think it honest.

Mr. TYDINGS. Mr. President, the Senator now has commented on the very matter I wanted to suggest to him, namely, how silly it is to have a $2,000,000,000 stabilization fund to stabilize world currencies, and in the same bill provide that we may unstabilize ours, which will bring on another currency war in no time at all.

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

Mr. ADAMS. Certainly.

Mr. BARKLEY. It is not my interpretation or understanding that the $2,000,000,000 stabilization fund was primarily designed to stabilize the American dollar any more than to stabilize other currencies that come in competition in world trade with the American dollar. Of course, the Senator may take the term he pleases. In the case of a seesaw with a man on each end, when one end goes down the other end goes up. It is impossible to operate one end without affecting the other.

But the stabilization fund has been used infinitely more to stabilize other currencies that come in competition with ours in world trade than to stabilize the American dollar.

Mr. ADAMS. May I get the Senator straight on that point? The provision of the act is that the fund is created for the purpose of stabilizing the exchange value of the dollar.

Mr. BARKLEY. Yes.

Mr. ADAMS. That is the only purpose for which the stabilization fund was created.

Mr. BARKLEY. But the way in which that has been done very largely has been by using the stabilization fund to buy other currencies, so that they would not depreciate to such an extent as to throw the American dollar out of a proper status with respect to other currencies.

Mr. ADAMS. Will the Senator tell me how the unstabilization of the mark in Germany, or some other foreign currency, is going to unstabilize the American dollar if it is based on a definite amount of gold, which is recognized as the unit of value throughout the world?

Mr. BARKLEY. I suppose the Senator is referring to the practical elimination of the value of the mark soon after the World War.

Mr. ADAMS. Then take the case of some other country.

Mr. BARKLEY. I happened to be in Berlin 1 week——

Mr. ADAMS. There was no connection between the two, I am sure. [Laughter.]

Mr. BARKLEY. Not at all; but it took a wheelbarrow to transport to the hotel enough marks to exchange for $100 of American money. If we had been engaged at that time in any large transaction in world commerce with Germany the depreciation of the German mark would have been very effective in its relationship to the American dollar.

These two things, instead of being antagonistic and conflicting, as I construe them, are absolutely in harmony. The stabilization fund is for the purpose of bringing about a stabilization of currency because of more or less abnormal fluctuations of values with respect to various currencies, not by any governmental action, but by reason of world conditions or fear or suspicion, or things of that sort, when, by reason of economic conditions in a foreign country, the franc or the pound or some other currency might go down to a point where it would undermine the foundation and the stability of American commerce. The devaluation provision, which may or may not be used—the Senator is assuming that it will be used, and therefore is basing his argument upon that assumption.

Mr. ADAMS. I would not take a lot of trouble to get something when I did not want to use it.

Mr. BARKLEY. But the use of devaluation is a weapon only in the event that some other government does a thing within its own power that would materially and disastrously affect the value of the American dollar. The two powers are not conflicting; they are not antagonistic; but they are in harmony, one to be used in ordinary fluctuations in the value of currency if they go beyond bounds without any action of the Government; the other to be used in the event another government takes action by the devaluation of its own money to such an extent as to affect our currency.

Mr. ADAMS. The Senator has absorbed the philosophy of the distinguished Senator from New York [Mr. WAGNER].

Mr. BARKLEY. Mr. President——

Mr. ADAMS. I will take back that suggestion if the Senator resents it. [Laughter.]

Mr. BARKLEY. No; I do not resent it. I am proud to associate myself with the Senator from New York in this association of ideas. I agree with the contention of the Senator from New York upon the subject. I happen to disagree with my very dear friend from Colorado upon the subject, as I did in 1934.

Mr. ADAMS. I think perhaps I was wrong in 1934.

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

Mr. ADAMS. I yield to the Senator from New York; that is, I assume the Senator is going to follow the same course.

Mr. WAGNER. The same course in what respect?

Mr. ADAMS. Any respect. Go ahead. I will not put any limitation on the Senator.

Mr. WAGNER. I do not want to annoy the Senator from Colorado.

Mr. ADAMS. The Senator could never annoy me. I have known him for many years, and never in a single instance has he done other than compliment me by paying attention to what I have said.

Mr. WAGNER. The Senator said a moment ago that this power is sought because we contemplate exercising it. Of course, the President now has the power, but he has not exercised it; but the Senator asked, "Why should we want the power if we do not intend to exercise it?" Why do we want a Navy? Not because we want to go to war, but we want to have the Navy as a defense in case of attack by other countries.

Mr. ADAMS. Let me ask the Senator a question: Why should we want a volcano? In other words, I regard the devaluation power as an evil. I think it can only be disastrous to our country; and, therefore, the Senator and I differ as to the matter. The Senator thinks it is like a pistol under one's pillow to protect him against burglars.

Mr. WAGNER. I understand that we cannot agree upon our philosophy regarding this matter, so I do not want to pursue that line any further.

Mr. ADAMS. Of course, my mind is always open to the Senator from New York, and I trust his mind is equally open.

Mr. WAGNER. I have studied this question thoroughly; I have studied the facts; and I think it was to the great advantage of the country that we devalued at the time we did.

The Senator talked about the stabilization fund being sufficient to take care of any possible depreciation of the currencies of other countries. I desire to ask the Senator a question in that connection.

Assume that England and France together—I am not giving a case that has not reality to it—should decide suddenly to devalue, say, the pound sterling down to the point where it once was, $3.25 from $4.86, and assume that the franc fell with it: Does the Senator think there is enough money in the stabilization fund, without meeting and neutralizing the effect of that action by devaluation, to buy enough pounds and francs to keep up the pound and the franc so as not to increase too high the value of our dollar in the international market?

Mr. ADAMS. I will say to the Senator that it is not any of our business to keep up the franc or to keep up the pound. There is no reason under the shining sun why we should take the money of the American taxpayer and go to Europe and endeavor to protect the countries of Europe against their local economic conditions or their domestic or international troubles. I do not care how high the American dollar goes in the economy of the world. What I want is to see the American dollar stabilized as the one single outstanding standard of all commerce in the world.

Mr. WAGNER. Then I understand the Senator to say that no matter how the other countries might attempt, as they did before 1933, to depreciate their currencies so as to obtain advantages in foreign markets, that is none of our affair, and our dollar should stay right up where it is, and we should not concern ourselves with the matter at all. If that is the Senator's philosophy, we are as far apart as the North and South Poles.

Mr. ADAMS. We are quite a distance apart.

Mr. WAGNER. I should not want our businessmen to be subject to that sort of a situation.

Mr. LEE and Mr. BARKLEY addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Colorado yield; and if so, to whom?

Mr. ADAMS. Just one moment, please. For more than a hundred years Great Britain maintained the pound sterling as the unit of value and exchange throughout the world. The United States gradually has gone forward until we have

displaced England as the leading commercial nation. We went through the panic of 1893, we went through the depression of 1907, we went through the depression of 1921–23, and we did not devalue the dollar, and we came out of those depressions more rapidly, and got upon sound ground sooner than we are getting out of this one. It is my sincere judgment that one of the things that has impeded our progress has been the impairment of producer purchasing power of the citizens of the United States by devaluing the dollar with which they buy commodities.

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

Mr. ADAMS. Certainly.

Mr. LEE. The Senator said a while ago, or at least I understood him to say, that the relation of the dollar to the raw products produced in this country is not so interesting to him as its relation to the finished products.

Mr. ADAMS. Oh, no; I did not say that.

Mr. LEE. I understood the Senator to say that he was not interested in the relative value of other moneys of the world to our money.

Mr. ADAMS. No; the Senator again misunderstood me.

Mr. LEE. I hope the Senator will clear up the matter, because I understood the Senator to say "I do not care where the pound goes."

Mr. ADAMS. No; I did not say that. I hope the Senator will get me somewhere near correctly.

Mr. LEE. I want the Senator, then, to straighten out the matter, because I understood the Senator to say, "I want to stabilize the dollar"—stabilize the dollar with relation to what? The Senator would have to have in mind the comparative value of other moneys of the world or the comparative value of the raw products of the country.

Mr. ADAMS. Not at all. I want to see a dollar which represents so many grains of gold, one that is a fixed standard recognized in every land on the globe. I am concerned about the figure to which the pound and the franc go, but I said that it was not the duty of the United States to take the money of its citizens and go abroad and seek to rescue foreign lands from their economic troubles.

Mr. LEE. Does the relation of the dollar to gold——

Mr. ADAMS. What does the Senator mean by "dollar"?

Mr. LEE. Does that help the farmer as much as the relation of the value of a dollar to the purchase of wheat, or cotton, or hogs, or corn? Would that not be more helpful than the relation of the number of grains of gold to a dollar?

Mr. ADAMS. Let me ask the Senator this question, Would it make any great difference to the Senator, in the purchase of a bushel of wheat, if he had $1 containing, say, 30 grains of gold, which would buy a certain quantity, or twice the number of dollars containing 15 grains, in other words, the same number of grains of gold? There is no difference between selling wheat for two half dollars or one silver dollar.

Mr. LEE. I agree to that, but it makes a great deal of difference, when the farmer goes to sell, if it takes 5 bushels of wheat to get $1, or he can get a dollar for 1 bushel, when he goes to pay his taxes, or to pay his debts, or to pay the interest on his debt.

Mr. ADAMS. I am in accord with the Senator; I do not think the farmer should have a dollar of one value today, and tomorrow find that the dollar has been changed, so that the dollar he dealt with on Monday is a different dollar from the one which confronts him on Tuesday.

Mr. LEE. Then the Senator will agree with me that the dollar should be stabilized at a hundred-cent level, instead of figuring on the grains of gold, that it should be stabilized at a 100-cent level in terms of the commodities with which we deal in this country.

Mr. ADAMS. I should like to see that condition prevail.

Mr. LEE. There is only one index for that, and that is the index furnished by the Labor Statistics Bureau, which gives us the all-commodity index, including 784 most used commodities in this country. If the dollar were stabilized on that basis today, would not the dollar come down some thirty-odd cents?

Mr. ADAMS. I have been intrigued with that dream from time to time. With all due respect to the Senator from Oklahoma, in fact, to both Senators from Oklahoma, who know so much more than I do about these matters, I have never been able to see how that could be brought about. I have simply had to tie myself, in my simple way, to a dollar which represented so many grains of gold, and leave that as the standard. We must either let commodities shift in relation to the dollar as there are conditions of plenty or conditions of scarcity, or the dollar will shift. It is not possible to maintain both commodity prices and the content of the dollar without any relative change. One is seeking an impossibility when he attempts to do that.

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

Mr. ADAMS. I yield.

Mr. BONE. If the Senator achieved the stabilized dollar of the character he has described, would it not be necessary to make that dollar redeemable in gold?

Mr. ADAMS. I am talking about a gold dollar.

Mr. BONE. Would it not be necessary to revamp our entire fiscal policy, and make the stabilized dollar payable on demand in gold?

Mr. ADAMS. I am in favor of having the currency of the United States redeemable and payable in gold today.

Mr. BANKHEAD. Mr. President, I should like to ask the Senator a question.

Mr. ADAMS. Or silver, I should say.

Mr. BANKHEAD. Is it not true that the United States is the only Nation in all the world which has its dollar tied to gold by weight?

Mr. ADAMS. My knowledge is not sufficiently broad to enable me to answer that. That statement was made in our hearings.

Mr. BANKHEAD. Does the Senator know of any other nation in the world which maintains its currency in gold by weight, as the United States does?

Mr. ADAMS. I do not, and that is one reason why I want this one country to continue to be the lodestar of world finance, so that there will be one standard to which every nation can repair when they want to know what values are.

Mr. THOMAS of Oklahoma. Mr. President——

The PRESIDING OFFICER. Does the Senator from Colorado yield to the Senator from Oklahoma?

Mr. ADAMS. Always with apprehension.

Mr. BANKHEAD. The nations have been waiting 4 or 5 years, and have not resorted to our method, have they?

Mr. ADAMS. All the nations have gotten into their devalued position because of distress. They have had troubles which we do not have, and I do not know why we should imitate those who are in financial disaster and distress. Just because someone else has a carbuncle on the back of his neck is no reason why we should go and get one.

Mr. BANKHEAD. Has the Senator heard anyone indicating that there was a desire that we imitate other nations?

Mr. ADAMS. Yes; I have.

Mr. BANKHEAD. The Senator has not heard it in the committee, for I was present, and I heard no such suggestion. He has not heard anyone on the floor of the Senate say so. The whole argument, the Senator knows, is that we merely wish to preserve our right to protect our country against devaluation.

Mr. ADAMS. No; the argument is that when any country is in financial distress and devalues its currency, we must follow suit and devalue ours, or that country will have an advantage over us; in other words, the greater the economic distress of the country, the faster we should hurry into the same situation, because that economic distress will be to our disadvantage. I cannot conceive of the desirability of producing home-made distress when it is not necessary, and when it means incalculable complexities and trouble.

Mr. THOMAS of Oklahoma. Mr. President, will the Senator yield for a question?

Mr. ADAMS. I yield.

Mr. THOMAS of Oklahoma. A short time ago the senior Senator from Maryland [Mr. TYDINGS] interjected the words "sound money" into the discussion.

Mr. ADAMS. The Senator is not going to get me into that. [Laughter.]

Mr. THOMAS of Oklahoma. Then I will ask the Senator from Colorado if he will not define "sound money."

Mr. ADAMS. In 1896 I stood on a street corner and saw a sound-money parade which nearly broke my heart.

Mr. TYDINGS. Mr. President, I shall be glad to define the term to the Senator.

Mr. THOMAS of Oklahoma. Since the Senator from Colorado declines to answer my question, may I propound another?

Mr. ADAMS. Certainly; probably it was because I could not answer.

Mr. THOMAS of Oklahoma. Does the Senator from Colorado favor Congress passing legislation fixing a definite content for the dollar in terms of gold?

Mr. ADAMS. Yes, and throwing the key away so that it cannot be changed.

Mr. THOMAS of Oklahoma. Can the Senator not agree, then, that the value or buying power of gold itself changes from time to time?

Mr. ADAMS. That is a question, of course. It just depends on what we take as our standard. If we take cotton as the standard, everything else changes with that. If we take gold as the standard, I will say, no; it does not change.

Mr. THOMAS of Oklahoma. The Senator comes from a great gold-producing State and a great silver-producing State; he comes from the West, where gold and silver are produced in large quantities. Does not history show that when we produce gold in quantity faster than the demand exists for it, gold as a commodity becomes cheaper, causing prices to rise? Referring specifically to the record in California, in 1849 and 1850, when the great gold production occurred, gold came into circulation, much of the gold was coined, the gold that was not coined was weighed, and as a result of the production of gold in California in 1849, 1850, and the years immediately after, is it not a fact that because the gold came into circulation, making gold more plentiful, it became cheaper in terms of property, and therefore a given quantity of gold depreciated in value as measured by a given quantity of commodities such as corn, wheat, cotton, and so forth? Is not that the record of the production of gold? If so, it is shown that gold itself changes in value in terms of commodity values, as any other property does, depending on the law of supply and demand.

Mr. ADAMS. Of course, because we never have been able to fix gold as a definite standard. All things are relative one to another, and there are shifts in the price of gold as in commodity prices.

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

Mr. ADAMS. I yield.

Mr. BARKLEY. The Senator stated a while ago that he wishes the Government would fix the gold content of the dollar, and then throw the key away so that it could never be changed again.

Mr. ADAMS. Perhaps that is going a little far.

Mr. BARKLEY. The Senator's argument seems to me to be in harmony with the loss of the key in that particular "key" situation. Does the Senator mean to say that he believes that under the Constitution Congress ought once to have fixed the gold content of the dollar, and then, regardless of any changes in the production or the price of gold, regardless of any changes in economic conditions in our country or in the world, the content of the dollar should have remained indefinitely and forever at the point fixed by Congress, so that it could never change at all?

Mr. ADAMS. Well, in a certain sense. I think when we establish the yard or the meter or something which we are using as a standard of measure we ought to stand by it. I am thinking of gold in terms of the measure of value. I do not think we ought to unstabilize this standard of measurement.

Mr. BARKLEY. Mr. President, I do not think there is any analogy between the illustration with reference to the 36-inch yard and the 24-inch yard and the number of grains of gold in the dollar, because I imagine that if all the other nations in the world should pass a law making 24 inches a yard instead of 36 inches, and ours was the only nation which still maintained the 36-inch yard, we might even have to do something about that, so that when we sold a yard of goods to any foreign country we would not have to put in parentheses "36 inches" so they would know what kind of a yard they were getting. I do not think it is quite a fair analogy to say that when you fix 24 inches as a yard you should put in parentheses "36 inches." If all the other nations recognized 24 inches to the yard, it would not be long before our merchants and manufacturers would raise the question whether we ought to stick to the 36-inch yard so long as we are doing business with the rest of the world.

If we were a hermetically sealed-in nation, so that it did not make any difference what happened anywhere else, and the repercussions on our commerce and our values were of no consequence, I can agree that we could do as we pleased about that; but, in my judgment, we cannot with respect to money.

When the Constitution authorized the Congress to fix the content of gold or silver and the value thereof in the matter of coining money, it did not contemplate that Congress would have to make the content of that value static so it could never change under any conditions, but that it must authorize from time to time, under the exercise of a continuing power, a change in the content of the dollar, either of gold or silver, to adjust it to conditions as they might exist from century to century.

Mr. ADAMS. I do not have to go that far. I simply say to the Senator that I do not think we ought to make changes to our own disadvantage.

Mr. BARKLEY. I do not either.

Mr. ADAMS. Let me go back to my roll of cloth. If the Senator were a merchant down in Paducah and he put in an order for a thousand yards of carpet from the wholesaler or the manufacturer, how would he like to have the Congress the day after he signs his contract provide that 24 inches should constitute a yard?

Mr. BARKLEY. If I were selling goods to a foreigner and he was selling goods of a different type to me, and I exchange a yard of satin or wool for a yard of silk, I would want to know whether in exchange for a 36-inch yard I was getting back a 24-inch yard.

Mr. ADAMS. We have gone this far, the Senator will note, where people have made contracts under which one man borrowed money and said, "I agree to pay back this money in gold of so many dollars at the present standard of weight and fineness." They have even gone so far as to put multiple currency provisions in the contract and to say that the borrower had the option to demand guilders in place of dollars, and Congress, having said it had that authority, provided that you do not have to pay what you agreed to pay, that Congress can release you of 41 percent of your obligation. They have said that the United States can get away with it; that we cannot just do it lawfully, but nobody has yet found a way to show that they were damaged by it, so the United States Government has borrowed money and paid back 59 cents on the dollar of what it borrowed.

Mr. BARKLEY. Unless that were true, there would never come any time in a thousand years when Congress could change the gold content of the dollar, because there will never be a day on which all contracts end simultaneously so there would not be an overlapping of contracts that would be affected by any change. If the Senator's theory were correct and carried out, Congress could never change the content of the dollar, because sometime, somewhere down the line, some contract would be affected by it, which would freeze the content of the dollar at what it has always been,

so it could never be changed at all, and the power to regulate money and fix the value thereof would be completely destroyed.

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

Mr. ADAMS. I yield.

Mr. BONE. I take it that the Senator is well aware of the fact that over his lifetime, or over the lifetime of everyone in this Chamber, we have witnessed a violent fluctuation of prices under a gold standard, and there was no stability then in prices. They were high one year and very low the next year.

Mr. ADAMS. How did the Senator measure the prices? The Senator says there was a variation in prices. How did he measure the prices?

Mr. BONE. It makes no difference.

Mr. ADAMS. How did he know there was a difference? He measured the prices in terms of the fixed standard of the gold dollar.

Mr. BONE. If I am going broke, I am going to lose everything I have in this world. It makes no difference whether I lose it under a gold standard or under a system such as is now proposed to be imposed. The point is that I have lost it. I think there is no virtue in assuming—I say this with all due regard for the opinions of the Senator from Colorado, which I value very highly—that there is stability under a gold standard. In my lifetime I have seen prices fluctuate so violently under the gold standard as to make a man a success one day and break him the next and put him in the bankruptcy court. There never has been stability and there never will be in all probability, either under the system we have now or the system which we call the gold standard.

Go back to the panics of 1873, and 1893, and 1907, or 1921, and you will find these ghastly and violent fluctuations of prices that broke nearly everyone in the country, and yet you had your fixed standard of money. We operated under a gold standard. However, it afforded no stability. It was a frail reed to lean on. There is no value in anchoring a dollar with a certain number of grains of gold.

Mr. ADAMS. Mr. President, the Senator is thinking of two different things at the same time. That is, when he speaks of fluctuations in prices, which we have seen, the fluctuation was in the terms of the standard. If you are going to fluctuate your standard at the same time that you fluctuate your prices, you simply aggravate the situation; you get into a condition of commercial vacillation, where there is no safety, or no stability in any commercial intercourse, because all commercial intercourse practically is conducted in terms of dollars. That is as something is bought or something is sold it is in terms of dollars.

My complaint is that we are rendering unstable both ends of the transaction. The Senator from Kentucky [Mr. BARKLEY] wanted to know if we wanted the standard to be permanent so it could not be changed. We changed it in 1934, and now it is desired to change it again. That is what the bill says.

Mr. WAGNER. The power has been in effect.

Mr. ADAMS. Yes; but the power has been in Congress. Congress in its lumbering way at least discusses things. I very carefully avoided any reference as to whether the power was in the Congress or the President. I have not been discussing the question as to the propriety of lodging the power. My discussion has been based on the impropriety of devaluation, whether by Congress or by the President. I think devaluation is unwise. I think it is disastrous.

Mr. BONE. If anchoring the dollar to gold gives the stability which the Senator seeks, I think in common with all others who are patriotic and thoughtful citizens, how then are we going to find an explanation for the panics of 1873, of 1893, of 1907, and of 1921, if there is safety and security in the formula which the Senator from Colorado now suggests?

Mr. ADAMS. I have suggested no formula. I have not said there is any stability. I am merely in favor of reducing the extent of the instability.

Mr. BONE. We had stability then.

Mr. ADAMS. No; we did not.

Mr. BONE. We had stability if we had a fixed gold content in the dollar, and we had all the stability which the law could give to our dollar, measured in the amount of gold in the American dollar, and yet it did not afford a bulwark of defense against depression. I am not saying that there were no other causes at all, but I am saying that there is little merit in the thought that merely changing the gold content in the dollar affords security or causes insecurity. I think it does not have nearly so much to do with prosperity or lack of prosperity in the country as other economic factors.

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

Mr. ADAMS. I yield.

Mr. LEE. I am sure that if the Senator from Colorado borrowed a sack of flour, and when the Senator went to pay it back he had to pay back 5 sacks of flour he would feel very much abused. Under the gold standard which the Senator seems to think stabilizes money I had the personal experience of borrowing money when I was producing wheat that brought a dollar and twenty-five cents a bushel. When I went to pay that back wheat was selling for 25 cents per bushel; therefore, I had to pay back 5 bushels of wheat for every bushel of wheat that I had borrowed. That was under the system which the Senator thinks is going to stabilize the dollar.

Mr. ADAMS. No; I have not said it would.

Mr. LEE. I borrowed 1 bushel of wheat and had to pay back 5.

Mr. ADAMS. I have not said any such thing. I have merely been trying to stabilize one end of the transaction. I realize you cannot stabilize it all. I am not going to yield any more until I have completed the few things I wish to say.

The majority opinion in the report that came in contains this statement. The exchange rate of the English pound fell in 1932 to $3.30. And then this is a quotation from it:

> An article * * * which prior to 1931 would have required $4.86 for its purchase could in 1932 be purchased in either country for $3.30.
>
> "Of course, the English product at $3.30 would sell more easily than at $4.86. But if the cost of production declined from $4.86 to $3.30, English workmen and producers of raw material were suffering a decrease in wages and prices of $1.56. English labor and producers consequently were standing a reduction in purchasing power equal to the reduction in price of the article. Surely not a profitable transaction for England."

Here is a quotation from the report:

> An English importer who prior to 1931 had been able to purchase $4.86 of American goods per pound sterling could in 1932 purchase goods worth only $3.30 for his pound.

What is the result of that?—

> Consequently devaluation reduced the purchasing value of the pound, thus by devaluation English workmen and producers received only $3.30 for that which they had formerly received $4.86, and when buying abroad could only get $3.30 worth of merchandise when they formerly received $4.86. Naturally the reduced purchasing power lessened imports. As a practical matter, therefore, for a time England produced and exported goods at so great a reduction as to constitute a loss, and if she imported she did so at an increased cost equivalent to a loss compared with previous importations.

In the report was another illustration based upon a cotton situation. The report states:

> An American producer who received 1,000 pounds sterling for a given shipment of cotton could previously convert his pounds sterling into $4,860. When the pound depreciated in terms of the dollar and the exchange rate fell to $3.30 the same American cotton producer could exchange his 1,000 pounds sterling for only $3,300. But as was pointed out in the example above, the English purchaser could no longer get $4.86 for American goods for his pound but only $3.30 worth, so he could only purchase 330/486 as much cotton for his 1,000 pounds.

In other words, a shipment of cotton which could have been bought for a thousand pounds before devaluation would have cost the Englishman 1,472 pounds after English devaluation. The depreciation of the pound therefore reduced the consumer purchasing power of the English Nation, as has always been the result, and always will be the result of every devaluation in any country.

Do we want to engage in a contest to see which nation in the world can reduce its wages the most and sell its products the cheapest? In order that the United States may increase the dollar value of our gold 15 percent, or about two and one-fourth billion dollars, do we wish to devalue by 15 percent the deposits of 50,000,000 people, the insurance policies of 64,000,000 citizens, the wages of 40,000,000 workers, and every bit of currency, every bond, and every credit item in the United States? Our people do not adjust themselves readily or rapidly to the true values, but the European markets respond instantly. They therefore buy American exchange at the devalued figure and pay debts and purchase American property below its value in the United States.

I wish briefly to call attention to some provisions in the minority views filed on behalf of half of the Banking and Currency Committee—a rather paradoxical minority. I ask, Mr. President, that for the purpose of the RECORD the minority views be incorporated as part of my remarks. I understand the majority report will be incorporated as a part of the remarks of the Senator from New York [Mr. WAGNER], so that the two reports will be in their proper places.

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

The minority report is as follows:

MINORITY REPORT BY MR. ADAMS ON H. R. 3325—DEVALUATION OF DOLLAR AND STABILIZATION FUND

One-half of the members of the Banking and Currency Committee, to whom was referred H. R. 3325, a bill to extend the time within which the powers relating to the stabilization fund and alteration of the weight of the dollar may be exercised, voted to eliminate from the bill the provisions extending the power of the President to devalue the dollar.

It seems therefore proper, in view of the evenly divided opinion of the Banking and Currency Committee, that there be presented to the Senate a statement in support of the elimination of this power.

The following statement is therefore submitted in support of the conclusion reached by half of the membership of the committee that the power of devaluation of the dollar by the President should not be continued. This statement, however, is not intended as a complete statement of the reasons which led different members of the committee to this conclusion, nor as necessarily accurately expressing the individual views of all members who concur in the conclusion.

I

Devaluation of its currency by a nation is an evidence of weakness and not of strength. It has been resorted to many times by nations when confronted by financial disaster.

II

The purpose and effect of the devaluation clause is inconsistent with the purpose and effect of the stabilization fund. The stabilization fund was created "for the purpose of stabilizing the exchange value of the dollar." Its purpose is to maintain the United States dollar at a fixed value in the markets of the world. The purpose and effect of the devaluation clause is to unstabilize the dollar and to make it an uncertain and changeable standard of value. The pending bill, therefore, is inconsistent within itself; either the stabilization fund should be abandoned or the devaluation policy allowed to lapse.

III

It is argued that the Executive should have power to devalue the dollar in order to meet disadvantages to our commerce from devaluation of currencies by foreign governments. In the past few years at least 50 governments have devalued their currency to some degree. If it is the purpose of our Government to meet each devaluation, even by a major country, with an equivalent devaluation our currency would vacillate so greatly as to no longer be accepted as a standard of value in the markets of the world.

The United States dollar should be stabilized and made the one outstanding, unchangeable standard of commercial value in the world. The result would be that all international exchanges would be made in terms of the American dollar. In the long run this is the just, the sound, and the profitable national policy.

In the early twenties devaluation took place in Russia, Germany, France, and other nations, but the United States maintained the standard of its dollar and did not even consider a policy of devaluation. There may be no connection between this fiscal policy and the fact that the United States recovered more rapidly at this time from the depression than any nation in the world, but at least it demonstrates the fact that devaluation was not essential to recovery or maintenance or expansion of our export trade.

IV

The so-called advantage which a foreign country enjoys in its export trade from devaluation of its currency is due to the fact that as a result of devaluation it can produce its exports at a lower cost. This simply means that, as a consequence of devaluation, wages and raw-material costs are reduced and therefore it can sell its products at a lower price in the world market.

If devaluation by the United States will enable it to meet the advantage given foreign competition by devaluation, it is only because devaluation in the United States will operate as it has in the foreign country by reducing the cost of raw materials and reducing wages so that the United States can reduce the price of its products so as to compete with the reduced costs of the foreign product.

The reduction in wages and material costs is due to the fact that the workman and producers for a time continue to receive the same number of dollars for a given amount of work or material as before devaluation, regardless of the fact that the intrinsic value of the dollar has been reduced in value by the proportion of the devaluation.

Any trade stimulation from devaluation is temporary and ultimately costly. Devaluation is primarily at the expense of the wage earner, salaried employees, and those with fixed incomes.

A study of export statistics of the United States shows that no increase in price of our export commodities was received commensurate with our devaluation of the dollar. The unit price of the major exported commodities from the United States did not increase on the average in an amount equal to the devaluation of our dollar. The consequence has been that the foreign purchasers have actually been able to purchase American commodities for less on the average subsequent to devaluation than before. The foreign-exchange value of the dollar immediately responded to the devaluation so that the foreign purchaser could purchase American dollars after devaluation at 59 percent of their previous cost.

Similarly, after devaluation, foreign debtors, private or public, were in a position to pay debts due to American creditors for 59 percent of what it would have cost them before devaluation.

V

The burden of devaluation falls heavily upon all those who work for wages or salaries or any form of fixed compensation. The workman is a creditor. His work is performed before he is paid. If he is employed in a period of declining value of the dollar, his payment at the end of his pay period is less than it would have been at the beginning of the period. No one is more interested and more concerned in the maintenance of a sound and stable currency than the workman.

Under a policy of devaluation the deposits which have been made in banks in full-valued dollars are repaid in depreciated dollars. The banks do not suffer but their depositors do. Insurance companies which have received premiums in full-valued dollars will pay their losses in depreciated dollars. Similarly, investments of the insurance companies from which their income is derived are made in full-valued dollars and their income is received in depreciated dollars. Educational institutions and hospitals, whose funds for maintenance and operation are derived from income from endowments and invested funds, find themselves greatly injured by receiving their income in devalued dollars.

VI

A policy of devaluation is not only unsound but it is inevitably disastrous to the country indulging in it. A country in distress may, by devaluing its currency, meet obligations which it has incurred at a reduced cost by what is really a process of partial repudiation.

The policy of devaluation is disapproved by a vast majority of financiers and economists. Fifty-five members of the Economists' National Committee on Monetary Policy, including the economists of many of the leading universities of the United States, say upon this subject:

"There are no adequate reasons for further extension of the President's power to change the gold content of the dollar. Since the devaluation of the dollar in January 1934 was close to the minimum specified in the Gold Reserve Act, any further alteration in the weight of the dollar would necessarily be in a downward direction. Further devaluation would be opposed to the best interests of the country and should not be permitted. Continuance of the President's authority to devalue the dollar still further implies that there are sound reasons for a better or stronger currency pursuing a weaker one in its downward course, whereas no such sound reasons exist.

"In reply to the frequently heard argument that depreciating foreign currencies might suggest the desirability of continuing the power of the President to lower the gold content of the dollar, we wish to call attention to the fact that during the period from 1919 to 1923, when the pound was unstable, when the French and Belgian francs and the Italian lira were falling rapidly in value, and when the German mark was plunging toward a trillionth of its former value, the dollar remained firmly anchored to gold at an unchanged weight. This firmness of the dollar was both a source of great strength to this country and a stabilizing factor in the world economy. If any adequate reason for devaluing the dollar should arise in the near future, a situation which is difficult to envision considering our huge supply of gold, it should be done by act of Congress, as provided by the Constitution, and not by an administrative order of the President."

VII

It is generally believed that what is most needed in America is increased purchasing power among the people.

Previous devaluation decreased the intrinsic purchasing value of the bank deposits of the 50,000,000 people who had on deposit in banks over $40,000,000,000 by 41 percent, or over $16,000,000,000.

It decreased by 41 percent intrinsic value of wages and salaries.

It decreased the intrinsic value of the assets of the insurance companies of America by 41 percent.

It decreased the intrinsic value of all bonds, notes, book accounts, and credits by 41 percent.

It decreased by 41 percent the intrinsic value of all dividends paid by corporations and all payments made by insurance companies to beneficiaries.

The United States made a profit on its gold stock of $2,800,000,000, but at a cost of from 10 to 20 times that amount to the American people.

Devaluation as operated in the United States was in effect deflationary and in the judgment of many has been one of the major factors impeding recovery.

We are now asked to authorize a further devaluation of 15 percent. This power should not be granted.

It is conceded by those who advocate the measure that there is no present need or desire to exercise the power. The passage of an act extending this emergency power will inevitably have some tendency to indicate a purpose to use it and thereby leave or bring an undesirable element of uncertainty in our economic affairs.

ALVA B. ADAMS.

Mr. ADAMS. Finally, my own theories have largely been stated in answer to two questions. I think it is a grave mistake for us to consider devaluing the dollar. It is a bit of weakness. It is an evidence of lack of confidence in our own system. I think that devaluation inevitably means disaster. It is a course which, when once entered upon, cannot be stopped.

I think one thing should be made clear, and that is that some of those who believe in an increased supply of money are misled. Remember, the process suggested has not resulted in an increase in the supply of money. Those who think increasing the supply of money will increase prices may be correct. We have a definite amount of money in circulation. We did not increase the amount of money in circulation by our policy. In fact, we reduced it, because we took the gold back into the Treasury. It ceased to circulate. Every $10 bill in circulation became a bill for $5.90. Every dollar that was in circulation became a 59-cent dollar. We actually reduced the intrinsic purchasing qualities of the money by the devaluation. So the effect is not inflationary but deflationary. We have paid the penalty for what was in real effect a deflationary devaluation. The only profit that came out of it was to the United States Treasury upon its gold. It lost money upon every dollar of taxes paid in. Mind you, $6,000,000,000 in taxes are being paid in every year, and we are already losing 41 percent in intrinsic value in that connection.

We devalued several billion dollars in bank deposits of the Federal Government, along with other people's gold. In order that we might obtain a bookkeeping profit of $2,800,000,000, we destroyed real values in the United States of not less than $40,000,000,000. Bank deposits, insurance policies, bonds, every credit instrument, and every bit of circulating medium were devalued by 41 percent.

It is now proposed to authorize a further devaluation of 15 percent. Such devaluation would give the Treasury another $2,000,000,000; but what would it do to the bank depositor? What would it do to the wage earner? The wage earner of the United States is a creditor. He goes to work on Monday, and he is not paid for 2 weeks, sometimes for a month. If there is a falling price for money during the period of his employment, he is paid in a devalued dollar. When he buys his insurance he pays, perhaps, in a full-valued dollar; and after his death or disability his family will be paid in a devalued dollar.

There are some who profit. The banks do not lose. They can pay their depositors in the devalued dollar. The insurance companies can pay in the devalued dollar. But there is no compensation for the depositor who receives the devalued dollar, or for the widow or orphan who receives the devalued dollar from an insurance policy. School teachers and those who put their savings into bonds are being paid in devalued dollars, with less purchasing power, and we are lessening the capacity of our people to buy, either at home or abroad. We are disregarding what the President said was the milk in the coconut of commerce—consumer purchasing power. Devaluation is nothing more nor less than lessening the consumer purchasing power of the American people.

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

Mr. ADAMS. I yield.

Mr. LUNDEEN. I have listened to the very able statement of the Senator that we should not support and sustain foreign currencies. I think the American people will be glad to have his statement. I am wondering if the Senator has placed in the RECORD any statistics or information as to how much we have done along that line, and by what means we have proceeded. I remember reading about the New York Federal Reserve Bank supporting the British pound in the world market. I did not pursue the question to see whether or not that statement was correct, but I have often wanted to see some information in that connection, and I wondered whether or not the Senator's speech contained anything along that line.

Mr. ADAMS. No. Before the Banking and Currency Committee there were some statements made by Secretary Morgenthau to the effect that not to exceed $200,000,000 of the stabilization fund had been used, and that they had bought and sold some foreign currencies. However, we have no detailed information.

Mr. LUNDEEN. The Senator is not familiar with any other means of supporting the foreign currencies?

Mr. ADAMS. The statement was made that foreign currencies were being bought. If there was an attack on the foreign currency in the market, the Treasury stepped in and supported the market.

Mr. LUNDEEN. I thank the Senator from Colorado.

CONGRESSIONAL RETIREMENT SYSTEM

Mr. BANKHEAD. Mr. President, I desire to interrupt the discussion on gold devaluation for a short time for the purpose of submitting some remarks on a congressional retirement system.

For some time a group of Senators, together with some Members of the other House, have been thinking about the need for a retirement system for Members of Congress. Congress has made provision for the retirement, on income, of Federal employees in the civil service who become disabled or grow old while in the service. It has provided retirement benefits for the officers and men of the Army, the Navy, the Coast Guard. It has likewise taken care of the members of the Federal judiciary. Finally, it is now about to provide substantial benefits for many millions of the citizens of this country, just as legislation has been in effect making provision for benefits, aggregating already more than $150,000,000 to retired railroad men. The aggregate cost to the Federal Government for taking care of its own employees in the executive and judicial branches runs into many tens of millions of dollars annually. It is altogether natural that in considering the problems of so many millions of the citizens of this country Members of the Congress should stop for a minute or two to inquire whether or not it may be wholly justifiable to think about some of their own problems.

There have been times in this country when the Members of Congress were thought of as being a peculiarly fortunate group who drew a sizable salary without rendering therefor any very large amount of labor. I think that idea has pretty much disappeared. The very great amount of work which we are called upon to perform is now generally recognized. Indeed, I think that most people wonder how Congressman can find time to answer the flood of mail from their constituents, sit at numerous committee hearings considering a large volume of important legislation, and become familiar with the great volume of other legislation arising in other committees and of equal importance to that considered by their own, in order to be able to pass judgment on it.

It is my opinion also that there is now a widespread recognition of the fact that the Members of the House and of the Senate have to bear many financial burdens which are far greater than those of ordinary citizens. We have elec-

tion expenses. Most of us have the expense of maintaining more than one place of residence. Many of our constituents feel free to call upon us for services which require expenditures of one sort or another on our own part. We do not need to remind ourselves that most of us come here in the prime of life. Because of the extraordinary demands on our time, we must cut loose from the associations and means of making an income which we possessed before coming here. If we leave Congress, even after a relatively brief service, those associations and connections are gone and we must build anew.

We hear a great deal of the plight of the man who is over 45. Most of those who talk about the difficulties of those who are 45 in getting a job are thinking about the men who work in factories or in shops or in industry or business generally. All of us know, from the experience of our friends who have served with us here and have left, that the employment handicap applies not only to industry and business, but also to the professions. We know, too, that if we cease to be members of Congress, the fact that we have served here will not help us very much whether as lawyers, businessmen, or whatever we may be in private life.

Most of us cannot possibly hope during our service in Congress to do very much toward securing from our own salaries any funds which would give us even a minimum income when we become old. One of the great benefits which often flow from the retirement system is that of giving ease of mind and freedom from worry to those who benefit by it. Most of us, necessarily, have to give some thought every now and then to our own future, and I think the great majority of us have cause, from time to time, to worry about it. I would be the last to reflect in any way upon the time or work we are called upon to devote to public service, but I cannot help feeling that we might sometimes be better off if we knew that, despite any action which we might take here, there is some reasonable assurance that our own families would not suffer. I believe that if we were protected by an adequate retirement system, we would view many matters from a more detached point of view than is now possible for us to achieve; and all of us and the country would benefit thereby.

Before we can go very far in thinking about a retirement system, we have to get down to details, and there are many details. At what age should retirement benefits be available? Should they be available to everybody, or should only those who have served a period of years be eligible? Should the Members of Congress themselves pay for part of the cost? If Members of Congress pay for part of the cost, what should happen when the Members withdraw from Congress before reaching retirement age? Should their contributions be refunded, or should they retain rights to receive some pro rata annuity when they attain retirement age? What is a fair amount of annuity? Should we pay the same amount of retirement annuity to everybody? If not, should it vary according to age of retirement, or according to the number of years of service?

The answers to all these questions would depend, to a considerable degree, on what a retirement system having a given set of particular provisions would cost. We all know that if a system were started tomorrow, providing for retirement benefits rather less than our salaries, very few of us would retire until the end of our current terms; that is, the year 1941 for Members of the House and one-third of the Senate, and still later for the other two-thirds of the Senate. But we know, too, that over a period of years, more and more Members would be on the retired list, and the payments would increase for a period of years. What we want to look at when we think about cost, therefore, is not so much how much would be spent under the system a year from now or even 5 years from now, but rather what would be the average level, taking into account interest at a reasonable rate over a period of years.

In getting at what various kinds of systems would cost, we asked Murray Latimer, chairman of the Railroad Retirement Board, to help us out. Mr. Latimer was good enough to agree to do this, and he has had several of his staff working with him for some months now collecting data which would be useful in making estimates of costs. Estimates of costs are made by looking at past experience, making whatever adjustments in that past experience are definitely known to be affected by factors which themselves have changed from the past; and making the general assumption that with these adjustments past history will repeat itself in the future. We know, to start with, that past history does not repeat itself exactly. But we ought to make the best possible use of experience, realizing that, from time to time, adjustments will have to be made, taking into account changed conditions which, in common with all other human beings, we cannot foresee with exact precision.

In securing the data on which to make cost estimates a record has been made of every person who has been in Congress at and since the beginning of the Fifty-seventh Congress, which took office March 4, 1901. For each of the 2,871 Members of the House and Senate since that time a record has been made of the date of birth, the length of service in both Houses, and the date of death if the Member is not now living. In this connection the records kept by Mr. Ansel Wold, particularly the Biographical Directory of the Congress, covering the years 1774 to 1927, were invaluable.

One of the factors to be taken into account in calculating cost is the possibility that some Members of Congress who are not now in service may return later on, and probably under any reasonable plan they would be given credit for their service up to now. In calculating cost a study was made of intermittent service on the part of some Congressman, and an attempt has been made to allow for the possibility that some former Member of Congress not now in the service may later return and become eligible for retirement incomes. It is appropriate to say at this point that in all the plans for which cost calculations have been made it has been assumed that the present Members of Congress would receive credit for their past service. For example, a Member now 65 with 25 years of service when the plan begins to operate could retire immediately on whatever benefits the plan provided for a Member aged 65 with 25 years all served after the beginning date. But none of the plans contemplates providing any benefits for Members of Congress not in service when the system starts and who never return later.

A study of these records of the Members of the Congress shows up and down fluctuations with respect to some of the important factors which have a bearing on cost. One of the most important factors is that of the age at which Members of Congress are elected initially. If all of us were elected at 25 and served continuously until 65, the cost would be much less than if, on the average, we were elected first at the age of 50. The records show that the typical Member of the House who was serving his first term in 1901 was just over 45 years old. The figure fell to 43 6/10 in 1903, and except in 1911, when the average for new Members was 48 1/10, kept within the range of from 44 to 46 until 1917; thereafter it rose to over 49 in 1929 and 1931, but has since fallen to just over 45. The results would be slightly different if it were assumed that the ages of new Members would be 45 rather than 50. As a matter of fact, in the actual calculations it was assumed that new Members would enter at various ages, averaging 46 7/10.

Similarly in the Senate, the average age upon entering membership ranged from as low as 44 7/10 (in 1907) to as high as 59 9/10 (in 1931). Again, in the actual calculations it has been assumed that new Senators would be elected at various ages, averaging 53 1/10 years. Insofar as experience in the future deviates from these assumptions, costs will vary from those that have been estimated, unless the variation in the age factor is offset by changes in other figures in a direction having an opposite effect on cost.

The mortality experience of Members of Congress has also been studied, because mortality both while in service and out of service is a most important factor in the calculation of costs. Mortality on so small a group as the membership of the House and Senate is likely to vary rather widely from time to time. From 1901 to and including the Members elected to the present Congress last November, 2,871 persons

have been Members of Congress in both House and Senate. This number is too small, even though taken over a period of years, for the law of averages to apply, particularly when this number is divided down, as it must be, into the different ages.

Moreover, mortality in the population in general has changed very greatly since the turn of the century. This is probably just as true of the Members of Congress as it is of any other group of the population. In order to get any mortality figures which could justifiably be used so far as the future is concerned, it appeared that it would be undesirable to take mortality experience further back than 1920. So far as mortality among Members in active service is concerned, it appears that the 1937 Standard Annuity Mortality Table is a reasonably good basis. In the period from 1920 to 1938, at the age of from 40 to 49, 5 percent fewer Members of Congress died than would have been the case if the Standard Annuity Table had been exactly followed. At ages 50 to 59, 2 percent fewer died. At ages 60 and over, however, from 6 to 10 percent more Congressmen died than would have been expected under the Standard Annuity Table. This means, as a matter of fact, that Members of Congress who remain in service have a somewhat lower mortality than does the population generally. The Standard Annuity Mortality Table of 1937 is compiled from among a rather select group, whose mortality is somewhat lower than for all men in the population. Congressional experience is, of course, primarily a male experience. So few women have served in Congress that their experience has practically no weight in the total.

Apparently, however, Members of Congress die somewhat more rapidly than do men in the total population of the country, once they have left Congress. This is probably due in part to the fact that Members wear themselves out in the service, do not return, or are unable to return; and it was to be expected that the mortality among such former Members would be rather high on the average. There may be other factors here also. Of course, the average rate of mortality among Congressmen is much higher than the average rate for all men in the population, because the average age of Congressmen is higher by a good many years than the average age for all men in the United States.

If the retirement benefit is to be paid only to the Members who complete a certain number of years of service in Congress, the chance of serving that number of years is a highly important factor in the determination of costs. In calculating the chances of a Member serving a given period of years, it was thought desirable to break the period from 1901 to date into several parts to see whether or not shifts from one administration to another had had any decided effect on changing the probable periods of service. The periods selected were from 1900 to 1910; from 1911 to 1918; from 1919 to 1930, and from 1931 to 1939. Although some slight differences were discovered, the chances of a Member serving a given number of years have been remarkably constant over a period of time. There are, of course, some differences. For example, the chances of a Member who comes to Congress at the age of 30 serving 20 years or 30 years are much greater than the chances of a Member who was first elected at the age of 50 serving that number of years. This is largely because the chances of a man aged 30 living 20 or 30 years are materially greater than the chances of a man of 50 living for a like period of time. But apart from the factor of mortality, the chances of reelection each 2 years or each 6 years appear to have been rather uniform over the years. For example, for a Congressman elected at age 45, there are 78 chances out of 100 that he will serve his term and be reelected to a second term. The chances are 60 out of 100 that he will serve his second term and be reelected for a third term. The chance are 36 out of 100 that he will complete 8 years of service and be reelected for a fifth term. But the chances are only 7 out of 100 that he will complete 20 years of service and be elected for an eleventh term.

The chances of remaining in the Congress are naturally somewhat higher for Members of the Senate. If elected first at the age of 48, a Senator has about 59 out of 100 chances of completing his first term and being reelected for a second. The chances of finishing his second term and being elected for a third are only 33 out of 100. The chances of completing a third term and being reelected for a fourth are only 18 out of 100; and the probability that the Senator will complete 24 years and be reelected for a fifth term are only 9 out of 100. Thus, if a retirement benefit is to be paid only to Members who have completed 20 years of service, only about 10 percent would qualify; and if, in addition to completing 20 years of service, the Member must have attained the age of 65 while in service in order to qualify, a still smaller percentage of the Members would be eligible to receive any benefits.

In order that Members of Congress might be able to come to some conclusion as to whether they wish a retirement system, and, if so, what its provisions should be, cost figures have been worked out for a large number of plans. Basically, however, these plans fall into four main types.

There is, first of all, a group of plans which provides for benefits upon the completion of a period of years of service and attainment of a given age, figures having been worked out for 6, 8, and 10 years of service, with retirement ages of 50, 55, 60, and 65. The amounts of annuity for persons retired at a given age and after a specified length of service have been made uniform, irrespective of service above the minimum requirements. Thus, in the first group of plans the amounts of benefit are varied according to age at retirement, the amounts to those retiring at 65 or over being the largest, smaller amounts being paid to those retiring at ages from 60 to 64, still less from 55 to 59, and with a further reduction in the amounts of benefit payable upon retirement at ages 50 to 54. Three sets of amounts have been used for each age in order to indicate the effect on cost in paying more or less annuity. Further figures are given for each combination of these several factors with the Government paying all the cost, and with the Member paying 3½ or 5 percent of their salaries as a contribution, with the Government paying the balance.

If Members contribute, it has been assumed that in the event they withdraw from Congress before becoming eligible for retirement benefits they would receive as a lump-sum refund the total amount of their contributions, together with interest compounded at the rate of 4 percent per annum. In the event of death before retirement, the survivors would receive a like amount. In the event of death after retirement, the balance, if any, of the amount of the death benefit as of retirement age, less annuities received by the deceased, would also be paid to the survivors.

A second set of plans provides for annuities varied according to the number of years of service. For example, if a Member retires after 20 years of service at a specified age, he will receive twice the amount of annuity that will be paid to a person who retires at the same age, but with only 10 years of service. In the basic set of calculations under this type of plan, it is assumed that the Member who withdraws from Congress will not receive a cash refund, but will retain the right to receive the amount of benefit credits earned by him for his service, beginning at the usual age of retirement. These Members will have the right, however, to have the annuity begin at a date earlier than the usual retirement age at an amount lower than what would be paid at the usual retirement age, to allow for the longer period in which payments would be made. For example, if a Member retired from Congress at the age of 50 and had accumulated credits amounting to $200 per month payable beginning at age 65, he could ask for an annuity beginning at age 60 in the amount of about $127 per month, and that amount could be paid at the age of 60 without any effect on the cost. If the Member died before reaching retirement age, or before receiving in annuities an amount equal to his death benefits,

he would be given a refund just as was described in connection with the first set of plans.

In the second set of plans, costs are again calculated on three bases: One with the Government paying for the whole cost; the second with the Members contributing 3½ percent of their salaries and the Government paying the balance; and the third with the Members paying 5 percent and the Government paying the balance.

A third set of plans dealt with the cost of a flat amount of one-half of the salary payable at only age 65 or 70, after varying periods of service, without any contributions by Members.

A fourth group shows the cost of paying annuities to retired Members after a given number of years of service, irrespective of age, the minimum service being 15 years, with high amounts payable to those who retire after 20 or more years of service.

The cost of these various plans on the different bases, and the assumptions underlying the calculations, are presented in an appendix to these remarks.

The number of officers on the retired list of the United States Army as of June 30, 1938, was 3,532. The number of warrant officers and nurses was 777. The amount of retirement pay for the fiscal year 1938 was $11,386,200 for officers and $1,163,800 for warrant officers and nurses.

In the Navy Department the record shows the average number of officers in the United States Navy on the retired list for the fiscal year 1938 to be 2,928, and the retirement pay was $8,789,878.31.

Officers of the Army and Navy are paid 75 percent of the salary received at time of retirement. Age of retirement is 64 years. Contribution payments are not required.

The number of retired Federal judges on the retirement roll April 30, 1939, was 30 and the retirement pay for the fiscal year 1938 was $307,250. The retirement age is 70. They make no contributory payments to a retirement fund. They are paid the full salary received at time of retirement.

The number of Foreign Service officers on the retired list in the State Department for the fiscal year 1938 was 92; the retirement pay for the last fiscal year was $262,328.64. These officers contribute 5 percent of their basic salaries and may retire at the age of 64. After 15 years of service, retirement is compulsory at the age of 65, and they may be retired if totally disabled for useful and efficient service by reason of disease or injury not due to any misconduct of the officer so disabled.

Total annual annuities or retirement pay for officers of the Army and Navy, Federal judges, and Foreign Service officers of the State Department for the last fiscal year amounted to $21,909,456.95.

I am putting the material collected by Mr. Latimer in the RECORD for the information of the Members of Congress who may be interested in the subject.

I desire to take this occasion to thank Mr. Latimer and his staff of assistants for the thorough and painstaking research performed in collecting the data necessary for the presentation of the different retirement systems which are covered by the statement that I am submitting for the RECORD. Mr. Latimer and his assistants have manifested a thorough knowledge of the subject of retirement plans and it is evident that the Government has in its Railroad Retirement Board not only a most capable director but also a competent and worthy staff of assistants.

Mr. Latimer will gladly respond to requests that Members of Congress may make of him for further general or detailed information relating to the subject of congressional retirement systems.

I ask unanimous consent to have printed in the RECORD immediately following my remarks the Appendix on Costs of a Congressional Retirement System, and also the memorandum on the costs of that system, both of which were submitted by Mr. Latimer.

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

APPENDIX ON COSTS OF A CONGRESSIONAL RETIREMENT SYSTEM

POSSIBLE NUMBERS OF MEMBERS OF CONGRESS ON RETIRED LIST IF A RETIREMENT SYSTEM WERE ESTABLISHED

The cost of a retirement system for any group of individuals depends on three factors:

1. The numbers of individuals who are placed on the retired list year by year;

2. The length of time which such individuals remain on the retirement list; and

3. The amount of retirement pay which they receive.

In practice, under usual circumstances, the number retired year by year is not the same; the length of time intervening between retirement and separation from the retired list, which ordinarily results only from death, varies from person to person; and the amount of retired pay is not uniform. Cost estimates are usually made by assuming a certain amount of uniformity based on the average experience over a period of time with regard to all three factors. Studies on which to base such averages are now under way.

As a rough indication pending completion of the more detailed studies, certain figures which are of interest are presented here. These figures indicate the number of Members of Congress who would be on the retired list in 1939 if retirement had taken place at the age at which it did in fact take place in the absence of the pension system. This assumption is open to question because of the fact that had a retirement system providing a reasonable level of retired pay been in effect in the past doubtless many Members of Congress who continued to serve would have elected rather to retire. It is doubtful, however, if any reasonable retirement system would have caused any Member of Congress to continue in service to an older age than that at which retirement would take place in the past. The figures presented here, therefore, probably represent the minimum numbers on the retired list had a plan been in effect from the years indicated on the table.

Another set of figures can be worked out showing the numbers on the retired list if it is assumed that members will retire as soon as they become eligible for the full retirement pay, with perhaps some retiring earlier if smaller amounts of pay are available at an age earlier than that which might be called the "normal" retirement age. This set of figures would indicate the probable maximum numbers on the retired list. The calculations underlying this second set of figures involve an assumption relating to the ages at which new Members are elected to Congress and their length of service. In the past many Members have, of course, remained in service for considerable periods of years after 65; had they retired, a successor would have been elected, and some of these successors would have qualified and retired by 1939 or even earlier, depending on the age at time of election. Of course, some of those elected to replace those who retired would have served for only a short period, and if a service requirement is involved as a prerequisite for receipt of retired pay, some of such successors would not have qualified for retirement pay. Basic tables showing the ages of new Members, the rates of leaving Congress at ages under those at which retirement pay is granted, and the rates of mortality are now being prepared, so that a complete study of both maximum and minimum costs of various proposals can easily be made.

It is believed that the accompanying table is self-explanatory. It shows, for example, that if a retirement system had been begun in 1901 and if retired pay would have been allowed to Members attaining age 70 who had completed 10 years of service, the number on the retired list in 1939 would have been 35. If the system had started in 1911, the number now on the roll would also be 35. If the system started only in 1931, the number would have been 25. Thus it appears that if any system is adopted the number on the retired list will increase rapidly for 20 years and thereafter rise quite slowly.

Of course, as the retirement age is lowered the number on the retired list will increase. If the same service requirement were adhered to and the retirement age were fixed at 65 rather than 70, 43 more would be on the retired list now, had a system been started in 1901, than if 70 were the retirement age, or a total of 78. Lowering the age to 60 without changing the other factors would have increased the retired list by 49 to 127.

If a system were established now, probably few Members would retire until the end of the current session. There are, however, fairly substantial numbers of Members at the present time who would be eligible for retirement if qualifications were 10 years of service and any age from 65 on down. A summary of the ages of older Members who have 10, 8, and 6 years of service or more is as follows:

Age	10 or more years of service	8 or more years of service	6 or more years of service
70 and over	27	31	32
65 to 69	31	36	39
60 to 64	23	31	44
55 to 59	25	29	40
50 to 54	15	20	36
Under 50	20	32	52
Birth date unknown	1	4	7
Total	142	183	250

Theoretical number of Members of Congress on retired list

Retirement age	Year system was assumed to have begun	10 years of service required for retirement		8 years of service required for retirement		6 years of service required for retirement	
		Number on retired list in 1939	Additional number resulting from lower retirement age	Number on retired list in 1939	Additional number resulting from lower retirement age	Number on retired list in 1939	Additional number resulting from lower retirement age
70	1901	35	----------	39	----------	42	----------
	1911	35	----------	39	----------	42	----------
	1919	35	----------	39	----------	42	----------
	1931	25	----------	27	----------	29	----------
65	1901	78	43	93	54	109	67
	1911	77	42	92	53	108	66
	1919	76	41	91	52	107	65
	1931	51	26	61	34	69	40
60	1901	127	49	155	62	193	84
	1911	125	48	152	60	190	82
	1919	121	45	147	56	182	75
	1931	80	29	99	38	121	52
55	1901	173	46	219	64	292	99
	1911	168	43	212	60	284	94
	1919	159	38	203	56	265	83
	1931	101	21	137	38	172	51
50	1901	212	39	271	52	372	80
	1911	205	37	258	46	356	72
	1919	193	34	246	43	327	62
	1931	117	16	158	21	198	26

The figures which are presented in this appendix assume the creation of a congressional retirement system financed on a reserve basis. Under the ordinary retirement system, whether private or public, the number of persons who retire on annuity after the beginning of operation is small relative to the total number of persons who are covered by the system. A congressional retirement system would be no exception to this rule. This is indicated by the data which have already been presented, showing that less than one-quarter of the present membership in Congress has had a service period of 10 years or more and attained the age of 50 or over. Moreover, unless the amounts of annuity were far larger than any which have previously been considered, a very considerable portion of those who are eligible for annuity would not retire immediately—probably almost none until the end of the congressional term which is now being served.

The reserve system in essence contemplates the payment into a fund, when the retirement system begins to operate, of amounts larger than will be paid out currently in annuities. The excess is invested and the interest reinvested, so that in the early years the amount in excess increases both by reason of additional payments, year by year, and by the interest on the previous accumulations, less, of course, whatever amounts are paid in annuities. After the system has been in operation for some years, the annuity payments will exceed net receipts from contributions. If the contributions have been properly calculated and if the interest earnings on the reserve equal the anticipated rate, such interest on the accumulated reserve will make up the difference between payments of annuities and contributions. For example, in plan 1, as given below, the minimum annual cost on a reserve basis is estimated at $668,000. Even if all those who are eligible retire immediately, the payments of annuity in the first year would only be about $350,000; thus more than $300,000 would accumulate at interest and be added to the reserve in the first year. Since it is probable that far less than half would retire, the reserve would in all probability accumulate with even greater rapidity. In arriving at this and other cost figures presented later, it was assumed that Members would retire, when eligible, only at the end of the congressional session to which they were elected. In all the calculations which have been made it has been assumed that interest would be earned on the reserve fund at the rate of 4 percent per annum, compounded annually.

No attempt is made in this memorandum to go into detail regarding the various considerations which are involved in deciding whether a congressional retirement system should be financed on a reserve or a so-called pay-as-you-go basis. It may be said, however, that among the major factors is the question as to whether or not the system will be one under which Members of Congress will contribute toward the cost. If Members do contribute, it would probably be desirable that the rate of contribution be uniform rather than varied, either with respect to the ages of the Members or with respect to time as, for example, is done in the schedule of taxes under the Social Security and Railroad Taxing Acts. If the members of a fund are to contribute, obviously the creation of a reserve fund is proper for receipt of those contributions, since any reasonable member contribution rate is likely to be in excess of the annuity payments in the early years of operation. By financing the system on a reserve basis the charges with respect to the direct maintenance of the system are kept at a relatively low figure. Generally speaking, the costs to the employer (in this case the Government) when the system is on a reserve basis will be about half as much as the maximum annuity disbursements. In the case of a congressional system, however, the average age of the members is much higher than is usually the case with retirement systems, so that the ratio of maximum disbursements to cost on a reserve basis would probably not exceed 1.5 to 1. At some future time, probably 30 or more years from the beginning of the system's operations, the number of members on the retired list and the annual payments of annuities will probably become approximately constant. At that time in a system on a reserve basis the disbursements for annuities would just equal the net[1] contributions by the Government and members plus the interest on reserves.

There has been much discussion in the last 2 years about the appropriateness of reserves for annuity systems where the annuity system is public rather than private. Perhaps the single major factor in this discussion has been the enormous size of the reserves which would be accumulated if the old-age insurance system created by the Social Security Act were to be placed on a reserve basis. No such problem is involved in a congressional retirement system. The maximum amount of reserves would probably not exceed $9,000,000 to $12,000,000, depending on the particular system chosen, amounts which could obviously have no effect on our general economic structure one way or the other.

The major assumptions involved in these cost calculations, including those stated above, are—

1. Financial provision on a reserve basis with equal annual contributions.
2. Interest to be earned on reserves at the rate of 4 percent per annum, compounded annually.
3. Participation by all Members of Congress, including the Delegates from Hawaii, Puerto Rico, and Alaska, and Philippine Commissioner—535 in all.
4. Annual salaries of Members of $10,000 per annum.
5. Retirement by eligible employees at the end of the session after attaining age 65.
6. A rate of withdrawal under 65 based on past congressional experience; those eligible to receive benefits upon withdrawal at ages 50 to 64 are assumed to begin receiving them immediately upon withdrawal.
7. Mortality according to the 1937 standard annuity table which appears to apply to the over-all mortality experience of Members of Congress, though it is not precisely accurate at every age.
8. Under all of the plans, service in Congress prior to the beginning of the system counts equally with subsequent service; for example, a Member with 10 years' service and qualified as to age would be entitled to an annuity immediately the system begins to operate. No benefits are provided for former Members who never return to service.

DETAILED PLANS

Group I–A (10 years of service required to qualify)

Plan 1

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400
At ages 50–54	2,000

(c) Contribution by Members, none.

(d) Contributions by the Government, $668,000 annually.

Plan 2

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400
At ages 50–54	2,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $579,000 annually.

NOTE.—When the Members contribute under the type of plan outlined here, the total contributions by Members and the Government are higher than if the Government alone contributes. This results from the fact that contributions by Members who do not qualify for annuity are refunded; that is, only a part of the Member contributions ultimately are applied toward annuities. Plans 1 and 2 provide for identical annuities; presumably, disbursements for annuities under the two plans would be equal. But aggregate annual contributions under plan 2 are estimated at $767,000, $99,000 higher than under plan 1. This amount, $99,000, is a measure of the contributions of Members refunded because of their failure to qualify for an annuity.

[1] If Members contribute, those of them who die before retirement or soon after retirement, or who withdraw from Congress before qualifying for an annuity, should receive (or their beneficiaries should receive) their contributions with interest. Net contributions refers to the total contributions less refund with respect to withdrawing and deceased Members.

Plan 3

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400
At ages 50–54	2,000

(c) Contributions by members, 5 percent ($500 by each member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $541,000 annually.

Plan 4

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, none.

(d) Contributions by the Government, $835,000 annually.

Plan 5

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $746,000 annually.

Plan 6

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $708,000 annually.

Plan 7

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,002,000 annually.

Plan 8

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $913,000 annually.

Plan 9

(a) Retirement on annuity after completion of 10 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $875,000 annually.

Plan 10

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members. none.

(d) Contributions by the Government, $587,000 annually.

Plan 11

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amount of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $517,000 annually.

Plan 12

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the differences between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $487,000 annually.

Plan 13

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $734,000 annually.

Plan 14

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the differences between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $664,000 annually.

Plan 15

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $634,000 annually.

Plan 16

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, none.

(d) Contributions by the Government, $881,000 annually.

Plan 17

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $810,000 annually.

Plan 18

(a) Retirement on annuity after completion of 10 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $781,000 annually.

Plan 19

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600

(c) Contributions by members, none.

(d) Contributions by the Government, $491,000 annually.

Plan 20

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $440,000 annually.

Plan 21

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60 to 64	3,600

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $418,000 annually.

Plan 22

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60 to 64	4,500

(c) Contributions by Members, none.

(d) Contributions by the Government, $614,000 annually.

Plan 23

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60 to 64	4,500

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $562,000 annually.

Plan 24

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60-64	4,500

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $540,000 annually.

Plan 25

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60-64	5,400

(c) Contributions by Members, none.

(d) Contributions by the Government, $736,000 annually.

Plan 26

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60-64	5,400

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $685,000 annually.

Plan 27

(a) Retirement on annuity after completion of 10 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60-64	5,400

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $663,000 annually.

TABLE I-A.—*Estimated contributions under various congressional retirement systems—reserve basis for financing—10 years of service required for eligibility for annuity*

Plan No.	Minimum retirement age	Amount of annuity after retirement at ages—				Rate of contribution by members (percent of salary)	Amount of annual contribution [1] by—	
		50-54	55-59	60-64	65 and over		Members	Government
1	50	$2,000	$2,400	$3,600	$4,800	0	0	$668,000
2						[2] 3½	$188,000	579,000
3						[3] 5	268,000	541,000
4		2,500	3,000	4,500	6,000	0	0	835,000
5						3½	188,000	746,000
6						5	268,000	708,000
7		3,000	3,600	5,400	7,200	0	0	1,002,000
8						3½	188,000	913,000
9						5	268,000	875,000
10	55	--------	2,400	3,600	4,800	0	0	587,000
11						3½	188,000	517,000
12						5	268,000	487,000
13			3,000	4,500	6,000	0	0	734,000
14						3½	188,000	664,000
15						5	268,000	634,000
16			3,600	5,400	7,200	0	0	881,000
17						3½	188,000	810,000
18						5	268,000	781,000
19	60	--------	--------	3,600	4,800	0	0	491,000
20						3½	188,000	440,000
21						5	268,000	418,000
22				4,500	6,000	0	0	614,000
23						3½	188,000	562,000
24						5	268,000	540,000
25				5,400	7,200	0	0	736,000
26						3½	188,000	685,000
27						5	268,000	663,000

[1] Assuming participation by all Members.
[2] At the 3½-percent rate, each Member would contribute $350 each year.
[3] At the 5-percent rate, each Member would contribute $500 each year.

NOTE.—Total contributions of Members and Government are higher when Members contribute than they are when the Government alone contributes. This results from the fact that the contributions of the Members who withdraw or die before retirement are refunded, and only part actually go for the payment of annuities. For example, under plans 1, 2, and 3, annuity payments would presumably be equal; but total contributions under plan 2, where Members contribute $188,000 annually, are $99,000 greater than under plan 1; and total contributions under plan 3, under which Members contribute $268,000, are $141,000 greater than the annual contributions under plan 1. These excess amounts indicate the amounts of contributions which would be refunded with respect to Members who do not qualify for an annuity.

The terms and costs of the plans in group I-A are summarized in table I-A.

Group I-B (8 years of service required to qualify)

Plan 28

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60-64	3,600
At ages 55-59	2,400
At ages 50-54	2,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $906,000 annually.

Plan 29

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60-64	3,600
At ages 55-59	2,400
At ages 50-54	2,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $800,000 annually.

NOTE.—When the Members contribute under the type of plan outlined here, the total contributions by Members and the Government are higher than if the Government alone contributes. This results from the fact that contributions by Members who do not qualify for annuity are refunded; that is, only a part of the Member contributions ultimately are applied toward annuities. Plans 28 and 29 provide for identical annuities; presumably, disbursements for annuities under the two plans would be equal. But aggregate annual contributions under plan 29 are estimated at $988,000, $82,000 higher than under plan 28. This amount, $82,000, is a measure of the contributions of Members refunded because of their failure to qualify for an annuity.

Plan 30

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60-64	3,600
At ages 55-59	2,400
At ages 50-54	2,000

(c) Contribution by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $755,000 annually.

Plan 31

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60-64	4,500
At ages 55-59	3,000
At ages 50-54	2,500

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,133,000 annually.

Plan 32

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60-64	4,500
At ages 55-59	3,000
At ages 50-54	2,500

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions

with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,027,000 annually.

Plan 33

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $982,000 annually.

Plan 34

(e) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,359,000 annually.

Plan 35

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $183,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,253,000 annually.

Plan 36

(a) Retirement on annuity after completion of 8 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,208,000 annually.

Plan 37

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, none.

(d) Contributions by the Government, $790,000 annually.

Plan 38

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $707,000 annually.

Plan 39

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $671,000 annually.

Plan 40

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $988,000 annually.

Plan 41

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $905,000 annually.

Plan 42

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $869,000 annually.

Plan 43

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,185,000 annually.

Plan 44

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,102,000 annually.

Plan 45

(a) Retirement on annuity after completion of 8 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,066,000 annually.

Plan 46

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600

(c) Contributions by Members, none.

(d) Contributions by the Government, $661,000 annually.

Plan 47

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600

(c) Contributions by Members 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $600,000 annually.

Plan 48

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $573,000 annually.

Plan 49

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500

(c) Contributions by Members, none.

(d) Contributions by the Government, $826,000 annually.

Plan 50

(a) Retirement on annuity after completion of 8 years of service and attainment of 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Members or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $765,000 annually.

Plan 51

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $738,000 annually.

Plan 52

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400

(c) Contributions by Members, none.

(d) Contributions by the Government, $992,000 annually.

Plan 53

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $931,000 annually.

Plan 54

(a) Retirement on annuity after completion of 8 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest

accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $904,000 annually.

TABLE I–B.—*Estimated contributions under various congressional retirement systems—reserve basis for financing—8 years of service required for eligibility for annuity*

Plan No.	Minimum retirement age	Amount of annuity after retirement at ages				Rate of contribution by members (percent of salary)	Amount of annual contribution [1] by—	
		50–54	55–59	60–64	65 and over		Members	Government
28	50	$2,000	$2,400	$3,600	$4,800	0	0	$906,000
29						[2] 3½	$188,000	800,000
30						[3] 5	268,000	755,000
31		2,500	3,000	4,500	6,000	0	0	1,133,000
32						3½	188,000	1,027,000
33						5	268,000	982,000
34		3,000	3,600	5,400	7,200	0	0	1,359,000
35						3½	188,000	1,253,000
36						5	268,000	1,208,000
37	55	-------	2,400	3,600	4,800	0	0	790,000
38						3½	188,000	707,000
39						5	268,000	671,000
40			3,000	4,500	6,000	0	0	988,000
41						3½	188,000	905,000
42						5	268,000	869,000
43			3,600	5,400	7,200	0	0	1,185,000
44						3½	188,000	1,102,000
45						5	268,000	1,066,000
46	60	-------	-------	3,600	4,800	0	0	661,000
47						3½	188,000	600,000
48						5	268,000	573,000
49				4,500	6,000	0	0	826,000
50						3½	188,000	765,000
51						5	268,000	738,000
52				5,400	7,200	0	0	992,000
53						3½	188,000	931,000
54						5	268,000	904,000

[1] Assuming participation by all Members.
[2] At the 3½-percent rate, each Member would contribute $350 each year.
[3] At the 5-percent rate, each Member would contribute $500 each year.

NOTE.—Total contributions of Members and Government are higher when Members contribute than they are when the Government alone contributes. This results from the fact that the contributions of the Members who withdraw or die before retirement are refunded, and only part actually go for the payment of annuities. For example, under plans 28, 29, and 30, annuity payments would presumably be equal; but total contributions under plan 29, where Members contribute $188,000 annually, are $82,000 greater than under plan 28; and total contributions under plan 30, under which Members contribute $268,000, are $117,000 greater than the annual contributions under plan 28. These excess amounts indicate the amounts of contributions which would be refunded with respect to Members who do not qualify for an annuity.

Table I–B summarizes the terms and costs of the plans in group I–B.

Group I–C (6 years of service required to qualify)

Plan 55

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400
At ages 50–54	2,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,105,000 annually.

Plan 56

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400
At ages 50–54	2,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $936,000 annually.

NOTE. When the Members contribute under the type of plan outlined here, the total contributions by Members and the Government are higher than if the Government alone contributes. This results from the fact that contributions by Members who do not qualify for annuity are refunded; that is, only a part of the Member's contributions ultimately are applied toward annuities. Plans 55 and 56 provide for identical annuities; presumably, disbursements for annuities under the two plans would be equal. But aggregate annual contributions under plan 56 are estimated at $1,174,000, $69,000 higher than under plan 55. This amount, $69,000, is a measure of the contributions of Members refunded because of their failure to qualify for an annuity.

Plan 57

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400
At ages 50–54	2,000

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $936,000 annually.

Plan 58

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,331,000 annually.

Plan 59

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions, with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,262,000 annually.

Plan 60

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000
At ages 50–54	2,500

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions, with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,212,000 annually.

Plan 61

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,658,000 annually.

Plan 62

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At age 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,539,000 annually.

Plan 63

(a) Retirement on annuity after completion of 6 years of service and attainment of age 50.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600
At ages 50–54	3,000

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,489,000 annually.

Plan 64

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, none.

(d) Contributions by the Government, $938,000 annually.

Plan 65

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $846,000 annually.

Plan 66

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$4,800
At ages 60–64	3,600
At ages 55–59	2,400

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $807,000 annually.

Plan 67

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At age 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,173,000 annually.

Plan 68

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,081,000 annually.

Plan 69

(a) Retirement on annuity after completion of 6 years of service and attainment of age of 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$6,000
At ages 60–64	4,500
At ages 55–59	3,000

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,042,000 annually.

Plan 70

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,407,000 annually.

Plan 71

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,315,000 annually.

Plan 72

(a) Retirement on annuity after completion of 6 years of service and attainment of age 55 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over	$7,200
At ages 60–64	5,400
At ages 55–59	3,600

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his bene-

ficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,276,000 annually.

Plan 73

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $4,800
At ages 60–64 3,600

(c) Contributions by Members, none.

(d) Contributions by the Government, $761,000 annually.

Plan 74

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $4,800
At ages 60–64 3,600

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $695,000 annually.

Plan 75

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after after retirement to be as follows:

Retirement:

At age 65 or over $4,800
At ages 60–64 3,600

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $666,000 annually.

Plan 76

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age of 65 or over $6,000
At ages 60–64 4,500

(c) Contributions by members, none.

(d) Contributions by the Government, $951,000 annually.

Plan 77

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $6,000
At ages 60–64 4,500

(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $885,000 annually.

Plan 78

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $6,000
At ages 60–64 4,500

(c) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions, with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $856,000 annually.

Plan 79

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $7,200
At ages 60–64 5,400

(c) Contributions by Members, none.

(d) Contributions by the Government, $1,142,000 annually.

Plan 80

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $7,200
At ages 60–64 5,400

(c) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions, with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,076,000 annually.

Plan 81

(a) Retirement on annuity after completion of 6 years of service and attainment of age 60 or over.

(b) Amounts of annuity after retirement to be as follows:

Retirement:

At age 65 or over $7,200
At ages 60–64 5,400

(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(d) In event of death or withdrawal from Congress before beginning to receive an annuity the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(e) Contributions by the Government, $1,047,000 annually.

Table I–C summarizes the terms and costs of the plans in group I–C.

TABLE I–C.—*Estimated contributions under various congressional retirement systems—reserve basis for financing—6 years of service required for eligibility for annuity*

Plan No.	Minimum retirement age	Amount of annuity after retirement at ages—				Rate of contribution by Members (percent of salary)	Amount of annual contribution [1] by—	
		50–54	55–59	60–64	65 and over		Members	Government
55	50	$2,000	$2,400	$3,600	$4,800	0	0	$1,105,000
56						[2] 3½	$188,000	986,000
57						[3] 5	268,000	936,000
58		2,500	3,000	4,500	6,000	0	0	1,381,000
59						3½	188,000	1,262,000
60						5	268,000	1,212,000
61		3,000	3,600	5,400	7,200	0	0	1,658,000
62						3½	188,000	1,539,000
63						5	268,000	1,489,000
64	55		2,400	3,600	4,800	0	0	938,000
65						3½	188,000	846,000
66						5	268,000	807,000
67			3,000	4,500	6,000	0	0	1,173,000
68						3½	188,000	1,081,000
69						5	268,000	1,042,000
70			3,600	5,400	7,200	0	0	1,407,000
71						3½	188,000	1,315,000
72						5	268,000	1,276,000

[1] Assuming participation by all Members.
[2] At the 3½ percent rate, each Member would contribute $350 each year.
[3] At the 5 percent rate, each Member would contribute $500 each year.

TABLE I–C.—*Estimated contributions under various congressional retirement systems—reserve basis for financing—6 years of service required for eligibility for annuity*—Continued

Plan No.	Minimum retirement age	Amount of annuity after retirement at ages—				Rate of contribution by Members (percent of salary)	Amount of annual contribution by—	
		50–54	55–59	60–64	65 and over		Members	Government
73	60			$3,600	$4,800	0	0	$761,000
74						3½	188,000	695,000
75						5	268,000	666,000
76				4,500	6,000	0	0	951,000
77		--------	--------			3½	188,000	885,000
78						5	268,000	856,000
79				5,400	7,200	0	0	1,142,000
80						3½	188,000	1,076,000
81						5	268,000	1,047,000

NOTE.—Total contributions of Members and Government are higher when Members contribute than they are when the Government alone contributes. This results from the fact that the contributions of the Members who withdraw or die before retirement are refunded, and only part actually go for the payment of annuities. For example, under plans 55, 56, and 57, annuity payments would presumably be equal; but total contributions under plan 56, where Members contribute $188,000 annually, are $69,000 greater than under plan 55; and total contributions under plan 57, under which Members contribute $268,000 are $99,000 greater than the annual contributions under plan 55. These excess amounts indicate the amounts of contributions which would be refunded with respect to Members who do not qualify for an annuity.

Group II: Plans in which full annuity is payable at 65 in amounts proportionate to length of service in Congress.

Plan 82

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 2 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $400; for 10 years of service, $2,000; and 30 years of service, $6,000.)

(d) Contributions by Members, none.

(e) Death benefit, none.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $720,000 annually.

Plan 83

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 2 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $400; for 10 years of service, $2,000; and 30 years of service, $6,000.)

(d) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(e) Death benefit: In the event of death before beginning to receive an annuity, the beneficiaries of the Member would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service beginning at retirement age.

(g) Contributions by the Government, $548,000 annually.

Plan 84

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 2 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $400; for 10 years of service, $2,000; and 30 years of service, $6,000.)

(d) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(e) Death benefit.—In the event of death before beginning to receive an annuity, the beneficiaries of the Member would receive as a refund, his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $473,000 annually.

Plan 85

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 3 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $600; for 10 years of service, $3,000; and 30 years of service, $9,000.)

(d) Contributions by Members, none.

(e) Death benefits, none.

(f) Withdrawal benefit.—Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $1,080,000 annually.

Plan 86

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 3 percent of the salary for each year of service. (For example, after 2 years of service the annuity beginning at age 65 would be $600; for 10 years of service, $3,000; and 30 years of service, $9,000.)

(d) Contributions by Members, 3½ percent ($350 by each Member annually), $188,000 annually.

(e) Death benefit: In the event of death before beginning to receive an annuity, the beneficiaries of the Member would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service, beginning at retirement age

(g) Contributions by the Government, $908,000 annually.

Plan 87

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 3 percent of the salary for each year of service. (For example, after 2 years of service the annuity beginning at age 65 would be $600; for 10 years of service, $3,000; and 30 years of service, $9,000.)

(d) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(e) Death benefit, none.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $833,000 annually.

The terms and costs of the plans in group II are summarized in table II.

TABLE II.—*Estimated contributions under various congressional retirement systems—reserve basis of financing*

	Age of retirement on full annuity	Number of years of service required to qualify for annuity	Annuity rate for each year of service	Amount of annuity per year for—					Rate of contribution by Members (percent of salary)	Amount of annual contribution [1] by—	
				2 years' service	5 years' service	10 years' service	20 years' service	30 years' service		Members	Government
Plan No:											
82	65	0	2	$400	$1,000	$2,000	$4,000	$6,000	0	0	$720,000
83	65	0	2	400	1,000	2,000	4,000	6,000	3½	$188,000	548,000
84	65	0	2	400	1,000	2,000	4,000	6,000	5	268,000	473,000
85	65	0	3	600	1,500	3,000	6,000	9,000	0	0	1,080,000
86	65	0	3	600	1,500	3,000	6,000	9,000	3½	188,000	908,000
87	65	0	3	600	1,500	3,000	6,000	9,000	5	268,000	833,000

[1] Assuming participation by all Members.

NOTE.—In plans 82 to 87, inclusive, Members withdrawing before retirement age retain the right to annuity credits earned while in service; contributions are to be refunded only in event of death prior to retirement or prior to receiving, in annuities, the amount of contributions, with interest to the date of retirement. For example, if a Member served 10 years from age 35 to 45, he could receive at 65, $2,000. If he died at age 55, he would receive his contributions ($3,500 under a 3½ percent contribution rate, or $5,000 at the 5 percent rate) plus interest at the rate of 4 percent per annum, compounded annually, to the date of death. Annuities payable at 65 can be converted into immediate annuities of the same actuarial value. For example, the Member in the illustration above could convert his annuity of $2,000 payable from age 65 into an annuity of about $1,260 payable from age 60.

Group III—Plans in which retirement benefits are payable only to Members still in service at 65 or 70 and who have specified period of service

Plan 88

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 5 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $507,000 annually.

Plan 89

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 10 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $370,000 annually.

Plan 90

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 15 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $248,000 annually.

Plan 91

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 20 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $141,000 annually.

Plan 92

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 25 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $50,000 annually.

Plan 93

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 5 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $293,000 annually.

Plan 94

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 10 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by Government, $218,000 annually.

Plan 95

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 15 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $161,000 annually.

Plan 96

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 20 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $99,000 annually.

Plan 97

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 25 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by members, none.
(e) Death benefit, none.
(f) withdrawal benefit, none.
(g) Contributions by the Government, $44,000 annually.

The provisions of these plans in group III and the estimated costs are summarized in table III.

TABLE III.—*Estimated contributions under various congressional retirement systems—reserve basis of financing*

	Age of retirement on full annuity	Number of years of service required to qualify for annuity	Amount of annuity per year	Rate of contribution by Members (percent of salary)	Amount of annual contribution [1] by—	
					Members	Government
Plan No.:						
88	65	5	Flat rate of $5,000, payable only to Members in service at or after normal retirement age and having prescribed period of service.	0	0	$507,000
89	65	10		0	0	370,000
90	65	15		0	0	248,000
91	65	20		0	0	141,000
92	65	25		0	0	50,000
93	70	5	do	0	0	293,000
94	70	10		0	0	218,000
95	70	15		0	0	161,000
96	70	20		0	0	99,000
97	70	25		0	0	44,000

[1] Assuming participation by all Members.

Group IV—Plans in which retirement benefit is payable after specified periods of service, irrespective of age

Plan 98

(a) Retirement after a minimum of 15 years of service, irrespective of age.
(b) Amount of annuity: $3,600 for those retiring with from 15 to 19 years of service; $4,800 for those retiring after 20 or more years of service.
(c) Contributions by Members, none.
(d) Withdrawal benefit, none.
(e) Contributions by the Government, $399,000 annually.

Plan 99

(a) Retirement after a minimum of 15 years of service, irrespective of age.
(b) Amount of annuity: $3,600 for those retiring with from 15 to 19 years of service; $4,800 for those retiring after 20 or more years of service.
(c) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.
(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.
(e) Contributions by the Government, $360,000 annually.

NOTE.—When the Members contribute under the type of plan outlined here, the total contributions by Members and the Government are higher than if the Government alone contributes. This results from the fact that contributions by Members who do not qualify for annuity are refunded; that is, only a part of the Member contributions ultimately are applied toward annuities. Plans 98 and 99 provide for identical annuities; presumably, disbursements for annuities under the two plans would be equal. But aggregate annual contributions under plan 99 are estimated at $548,000, $149,000 higher than under plan 1. This amount, $149,000, is a measure of the contributions of Members refunded because of their failure to qualify for an annuity.

Plan 100

(a) Retirement after a minimum of 15 years of service, irrespective of age.
(b) Amount of annuity: $3,600 for those retiring with from 15 to 19 years of service; $4,800 for those retiring after 20 or more years of service.
(c) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.
(d) In event of death or withdrawal from Congress before beginning to receive an annuity, the former Member or his beneficiaries would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.
(e) Contributions by the Government, $342,000 annually.

TABLE IV.—*Plans which pay benefits after a minimum of 15 years of service, irrespective of age*

	Annuity for—		Rate of contribution by Members (percent of salary)	Amount of annual contribution[1] by—	
	15-19 years of service	20 or more years of service		Members	Government
Plan No.:					
98	$3,600	$4,800	0	0	$399,000
99	3,600	4,800	[2]3½	$188,000	360,000
100	3,600	4,800	[3]5	268,000	342,000

[1] Assuming participation by all Members.
[2] At the 3½-percent rate, each Member would contribute $350 each year.
[3] At the 5-percent rate, each Member would contribute $500 each year.

NOTE.—Total contributions of Members and Government are higher when Members contribute than they are when the Government alone contributes. This results from the fact that the contributions of the Members who withdraw or die before retirement are refunded, and only part actually go for the payment of annuities. Under all 3 plans, annuity payments would presumably be equal; but total contributions under plan 99, where Members contribute $188,000 annually, are $149,000 greater than under plan 98; and total contributions under plan 100, under which Members contribute $268,000, are $211,000 greater than the annual contributions under plan 98. These excess amounts indicate the amounts of contributions which would be refunded with respect to Members who do not qualify for an annuity.

MEMORANDUM ON COSTS OF A CONGRESSIONAL RETIREMENT SYSTEM

Except for the terms of the plans, the memorandum makes the same assumptions as those which were outlined in the first memorandum. The plans for which cost figures are given, however, are somewhat different in type from those described in the first memorandum. Plans 28 through 33 provide for annuities varying as to length of service. For example, in plan 28 a Member with 2 years of service would receive $400 annually, whereas a Member with 30 years of service would receive 15 times as much or $6,000 annually. Moreover, in the event that a Member withdrew from service before retirement age, he would not receive the contributions which he had made, plus interest, but instead would retain the right to receive an annuity, in the amount of the credits earned by him for service, beginning in full at the normal age of retirement. For example, a Member elected to Congress at the age of 35 and serving until 45 would have the right under plan 28 to receive $2,000 annually beginning at age 65. Just as in the case of the previous memorandum, however, service prior to the date of the plan would count for participating Members equally with service after the plan was begun. For example, if the plan were begun on January 1, 1940, and a Member at that time had 9 years of service and was not reelected to any following Congress, he would retain rights to receive an annuity based on his 10 years of service.

In the event of death before retirement, however, the contributions made by the Member with interest accummulated at the rate of 4 percent per annum would be returned to his beneficiaries. If death occurred after retirement but before the annuities received equaled the amount of the death benefit at retirement the balance would also be paid the beneficiaries.

Under these 6 plans, 28 to 33, inclusive, the annuities could be made payable in amounts adjusted for the earlier beginning date at ages under 65. This is accomplished by determining the value of the reserve held for the annuity deferred to age 65 and applying that reserve to the payment of an immediate annuity. At age 60, for example, a life annuity payable from age 65 has a value, using the mortality tables on which these cost figures are based and interest at 4 percent per annum, of approximately 63 percent of an immediate annuity in the same amount payable from age 60. Thus a Member having to his credit $2,000 of an annuity beginning at age 65 could receive an annuity of $1,260 payable at age 60 without having any effect on the cost of the plan.

A second group of 10 plans provides for a flat annuity of one-half pay, payable only at age 65 or 70 after varying periods of service. Under these plans, numbered 34 to 43, inclusive, there would be no annuity payable upon retirement before normal age or retirement at or after the normal age with less than the specified number of years of service.

DETAILED PLANS

Plan 28

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 2 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $400; for 10 years of service, $2,000; and 30 years of service, $6,000.)

(d) Contribution by Members, none.

(e) Death benefit, none.

(f) Withdrawal benefit. Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $720,000 annually.

Plan 29

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 2 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $400; for 10 years of service, $2,000; and 30 years of service, $6,000.)

(d) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(e) Death benefit. In the event of death before beginning to receive an annuity, the beneficiaries of the Member would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(f) Withdrawal benefit. Members would retain the right to receive annuities earned by service beginning at retirement age.

(g) Contributions by the Government, $548,000 annually.

Plan 30

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 2 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $400; for 10 years of service, $2,000; and 30 years of service, $6,000.)

(d) Contributions by Members, 5 percent ($500 by each Member annually), $268,000 annually.

(e) Death benefit: In the event of death before beginning to receive an annuity, the beneficiaries of the Member would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $473,000 annually.

Plan 31

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 3 percent of the salary for each year of service. (For example, after 2 years of service the annuity beginning at age 65 would be $600; for 10 years of service, $3,000; and 30 years of service, $9,000.)

(d) Contributions by Members, none.

(e) Death benefit, none.

(f) Withdrawal benefit: Members would retain the right to receive annuities earned by service beginning at retirement age.

(g) Contributions by the Government, $1,080,000 annually.

Plan 32

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 3 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $600; for 10 years of service $3,000, and 30 years of service $9,000.)

(d) Contributions by Members, 3½ percent ($350 by each Member annually); $188,000 annually.

(e) Death benefit. In the event of death before beginning to receive an annuity, the beneficiaries of the Member would receive as a refund his contributions with interest accumulated at the rate of 4 percent per annum, compounded annually. In the event of the death of a Member on the retired list before receiving in annuities the amount of his contributions with interest accumulated until retirement, the difference between the accumulated contributions and the annuities would be paid to his beneficiaries.

(f) Withdrawal benefit. Members would retain the right to receive annuities earned by service, beginning at retirement age.

(g) Contributions by the Government, $908,000 annually.

Plan 33

(a) Retirement on full annuity upon attainment of age 65.

(b) Retirement on annuity on an adjusted amount prior to age 65. (At 60, for example, the adjusted amount would be about 63 percent of the full amount payable at 65.)

(c) The amount of annuity to be 3 percent of the salary for each year of service. (For example, after 2 years of service, the annuity beginning at age 65 would be $600; for 10 years of service $3,000, and 30 years of service $9,000.)

(d) Contributions by Members, 5 percent ($500 by each Member annually); $268,000 annually.

(e) Death benefit, none.

(f) Withdrawal benefit. Members would retain the right to receive annuities earned by service, beginning at retirement age.
(g) Contributions by the Government, $833,000 annually.

Plan 34

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 5 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $507,000 annually.

Plan 35

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 10 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $370,000 annually.

Plan 36

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 15 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $248,000 annually.

Plan 37

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 20 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $141,000 annually.

Plan 38

(a) Retirement on annuity only at or after age 65.
(b) Annuity payable only after the completion of 25 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $50,000 annually.

Plan 39

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 5 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $293,000 annually.

Plan 40

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 10 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $218,000 annually.

Plan 41

(a) Retirement an annuity only at or after age 70.
(b) Annuity payable only after the completion of 15 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $161,000 annually.

Plan 42

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 20 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $99,000 annually.

Plan 43

(a) Retirement on annuity only at or after age 70.
(b) Annuity payable only after the completion of 25 years of service.
(c) Amount of annuity, $5,000 per annum.
(d) Contributions by Members, none.
(e) Death benefit, none.
(f) Withdrawal benefit, none.
(g) Contributions by the Government, $44,000 annually.

A table summarizing the provisions of these plans and the estimated costs is appended.

JUNE 3, 1939.

Estimated contributions under various congressional retirement systems—reserve basis for financing

	Age of retirement on full annuity	Number of years of service required to qualify for annuity	Annuity rate for each year of service	Amount of annuity per year for—					Rate of contribution by Members (percent of salary)	Amount of annual contribution[1] by—	
				2 years' service	5 years' service	10 years' service	20 years' service	30 years' service		Members	Government
Plan No.:											
28	65	0	2	$400	$1,000	$2,000	$4,000	$6,000	0	0	$720,000
29	65	0	2	400	1,000	2,000	4,000	6,000	3—	$188,000	548,000
30	65	0	2	400	1,000	2,000	4,000	6,000	5	268,000	473,000
31	65	0	3	600	1,500	3,000	6,000	9,000	0	0	1,080,000
32	65	0	3	600	1,500	3,000	6,000	9,000	3—	188,000	908,000
33	65	0	3	600	1,500	3,000	6,000	9,000	5	268,000	833,000
34	65	5	Flat rate of $5,000, payable only to Members in service at or after normal retirement age and having prescribed period of service.						0	0	$507,000
35	65	10							0	0	370,000
36	65	15							0	0	248,000
37	65	20							0	0	141,000
38	65	25							0	0	50,000
39	70	5	do						0	0	293,000
40	70	10							0	0	218,000
41	70	15							0	0	161,000
42	70	20							0	0	99,000
43	70	25							0	0	44,000

[1] Assuming participation by all Members.

NOTE.—In plans 28 to 33, inclusive, Members withdrawing before retirement age retain the right to annuity credits earned while in service; contributions are to be refunded only in event of death prior to retirement or prior to receiving in annuities the amount of contributions, with interest to the date of retirement. For example, if a Member served 10 years from age 35 to 45 he could receive at 65, $2,000. If he died at age 55, he would receive his contributions ($3,500 under a 3½-percent contribution rate, or $5,000 at the 5-percent rate) plus interest at the rate of 4 percent per annum, compounded annually, to the date of death. Annuities payable at 65 can be converted into immediate annuities of the same actuarial value. For example, the Member in the illustration above could convert his annuity of $2,000 payable from age 65 into an annuity of about $1,260 payable from age 60.

Mr. BANKHEAD. Mr. President, in view of the collection of information contained in Mr. Latimer's report I think it would be well to have the statement printed in the form of a public document, and I ask unamimous consent that it be printed as a document and that 2,500 copies of it be made available.

The PRESIDING OFFICER (Mr. BILBO in the Chair). Is there objection? The Chair hears none, and it is so ordered. (S. Doc. No. 85.)

AMENDMENT OF AGRICULTURAL ADJUSTMENT ACT OF 1938—CONFERENCE REPORT

Mr. HATCH submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1569) to amend the Agricultural Adjustment Act of 1938, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House, and agree to the same.

J. H. BANKHEAD,
CARL A. HATCH,
Managers on the part of the Senate.
MARVIN JONES,
WALL DOXEY,
CLIFFORD R. HOPE,
Managers on the part of the House.

Mr. HATCH. I ask unanimous consent for the immediate consideration of the report.

Mr. AUSTIN. Mr. President, I should like to ask the Senator a question. On what point did the Senate conferees recede?

Mr. HATCH. The Senate conferees receded on a point raised in an amendment of the House which does not change the bill except as to time. The bill as it passed the Senate provided that certain provisions of the Agricultural Adjustment Act which would expire in 1940 should be extended throughout 1941 and 1942. The House changed that, striking out the reference to 1941 and 1942, and making it read "and subsequent years," so that it would not be necessary again to extend the provisions of the act. The Senate conferees agreed to the change.

Mr. AUSTIN. What were the provisions proposed to be extended?

Mr. HATCH. One relates to the 60-percent limitation on the production of cotton. Under the 1938 Agricultural Adjustment Act it was provided in section (E) that no county should have its acreage for cotton reduced to less than 50 percent of its 1937 planting plus diverted acreage. This provision puts a floor under what the Secretary of Agriculture may do in the way of reducing acreage.

Mr. AUSTIN. It relates to the acreage quota?

Mr. HATCH. That is correct.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the report?

There being no objection, the report was considered and agreed to.

COLLECTION OF FOREIGN DEBTS OWED THE UNITED STATES

Mr. REYNOLDS. Mr. President, I should like at this time to call the attention of my colleagues and of the Nation to a bad memory, to one of our semiannual black-letter days, which has just passed, and the great powers now playing in the international poker game "passed" with it, save only the little country of Finland. I am referring to June 15, the date on which our defaulting European debtors dodged again, and only an ever-dwindling few were polite enough to notify us that they were not going to pay. The Japanese are not the only ones who say, "So sorry, excuse please!"

I think it is time that we here in the Senate, always talking about new taxes, new relief bills, new spending, talk about collecting a few billion dollars in behalf of the American taxpayer. I believe the Americans who pay taxes want us to collect these debts. After all, if these debts were paid, our staggering national debt could be retired.

There has recently been agitation to lift the present limit of $45,000,000,000. If our war debts were collected we would not have to worry about that limit. The collections could retire 13 billions in outstanding Federal bonds. Nearly half of those bonds were floated in the dark days of the World War, to raise in America the money from Americans to finance Europe's family quarrel, to save the world for the franc, the pound, and the lira.

Mr. President, I can say that the American citizen everywhere wants us to collect. Just the other day, riding to the Capitol in a taxi, the driver, a war veteran, incidentally, was talking about the visit of the King and Queen of England. He thought the visit was a nice gesture, good for friendship, but he went on to say: "I think England ought to pay its war debt, or at least pay the interest on it. I think all those nations that owe us money ought to pay it. I have to pay my bills; why shouldn't they? I think that if the King had announced over here that England intended to pay her war debt, the good done by his visit would have been a thousand times bigger. They borrowed the money; they owe the money. We ought to be paid!"

That was a taxi driver's interest in war debts. He spoke as a plain American citizen, earning his living by rolling a cab around the streets of Washington. But he is a taxpayer, and he has every right to demand that the American Government collect something for the taxpayers as well as from them.

I am sure all my colleagues would join me in the Senate in cutting our taxes if we could. God knows we do not like to be raising them. If we collected those war debts we could cut our taxes. We could take some of the load off business. We could take some of the burden off the farmer, the working man, the little storkeeper who pays taxes.

I understand there is considerable talk now about lowering the exemption on income taxes so as to make more people pay taxes. In other words, we will have no mercy on our own people, just dip right down into their pockets as deeply as we can get and take all we can find. And we will be dipping down for a lot of it, because we are so generous with $13,000,000,000 these great big nations owe us, which they will not pay. All that Europe wants to send us is refugees. So we get ready to soak our own folks to save somebody else. Big-hearted Uncle Sam! They want to pay us in immigrants, who would take the jobs of Americans; they want to make an initial "payment" to us of 20,000 refugees.

I am not surprised that many taxpayers are disgusted. I am, too. Any such treatment as this looks like asking America to finance the world as well as feed its refugees. They will not pay, but they wish to send their refugees here for us to feed. Why cannot England, France, Russia, Germany, Italy, Poland, and the other nations pay us at least something on account? They have plenty of money with which to buy battleships, to build airplanes, to manufacture cannon, and to stack up rifles.

Mr. President, what would you think of a friend of yours who was so sick he was almost dead and who borrowed a hundred dollars of you and then, when it was time to pay it back, said, "Bill Smith has been saying nasty things about me, so I'm going out to buy a rifle and I can't pay you; you'll just have to wait"? That is, more or less, exactly what has been done to all of us by these friends who were dying until we gave them a transfusion of men and money. Now that they are feeling chipper and cocky again, strutting their armies up and down Europe, the doctor can go to a climate even warmer than we are experiencing in Washington at the present time outside of this air-conditioned Chamber.

Mr. LUNDEEN. Mr. President——

The PRESIDING OFFICER (Mr. LEE in the Chair). Does the Senator from North Carolina yield to the Senator from Minnesota?

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. May I say to my friend, the able Senator from North Carolina, that we must remember that we expended this money to make the world safe for democracy? Should we not forgive them then?

Mr. REYNOLDS. I will say to the Senator in answer to that question that we were led into the war under the guise that we were going to save democracy, and stop anarchy, and stop war for all time.

Mr. LUNDEEN. The distinguished Senator will no doubt bear me out in the statement that we were successful in that respect, were we not?

Mr. REYNOLDS. We were not at all successful in that, and, if the Senator will pardon me, I will say that, as a matter of fact, since the last World War ended November 11, 1918, more than 3,000,000 persons have been killed in battle in Spain, in Ethiopia, and in China.

Mr. LUNDEEN. Then we did not succeed in saving the world? And we did not put an end to all wars? Can that be possible? Were we not the invincible crusaders led on by Woodrow the Great.

Mr. REYNOLDS. Of course not, and as for saving Christianity, the Senator certainly knows that more temples of worship have been razed to the ground and destroyed and more Christian people have been murdered than at any other time within the past 50 years prior to the breaking out of the World War in August of 1914.

Mr. LUNDEEN. I should like to ask the Senator, is there not more democracy in the world now than there was in 1917, or is it possible that there is less democracy and can we really believe the scoundrels who boasted "He kept us out of war;" only to betray us into war?

Mr. REYNOLDS. That depends upon what is considered to be democracy. Since the revolution in Russia, which, according to my recollection, broke out about 1917, the 160,000,000 to 180,000,000 people constituting the population of Soviet Russia claim that their country is a democracy.

Mr. LUNDEEN. May I inquire of the Senator whether the Senator considers the British Empire and the French Empire to be democracies?

Mr. REYNOLDS. In a sense I consider Great Britain to be an imperialistic democracy. I consider France to be a socialistic democracy.

The Senator will recall that the Prime Minister of France, or the War Minister—I believe one man holds both offices—recently was declared a virtual dictator of the Republic of France.

Mr. LUNDEEN. If the Senator will permit I should like to insert in the RECORD at this point in his remarks a short statement as to the so-called democracies of Britain and France—a statement which I made on the floor of the Senate some weeks back and also a definition of Britain's form of government by Sir Anthony Eden.

Mr. REYNOLDS. I should be very much indebted to the Senator from Minnesota if he would do so. I thank the Senator very much for his very excellent contribution.

The PRESIDING OFFICER. Without objection, the statement referred to by the Senator from Minnesota may be printed in the RECORD.

The statement and definition are as follows:

PREDATORY DEMOCRACIES

It seems to me that the nations which are referred to as democracies are empires—worldwide, far-flung empires. France is an empire. That empire has been won by conquest and aggression. The swords of the French imperialists are dripping with blood. They have acquired their territory by aggression. That empire extends into Asia, Africa, and America. It is not European alone; it is worldwide. France is an empire won by aggression and war, and everyone knows it, or should know it.

The far-flung Empire of Britain, scattered over one-third of this mighty earth, upon which the sun never sets, was won by aggression and war. It was won by bloodshed, won by swords dipped into the blood of nations now enslaved by that empire; and yet we hear Senators and Representatives talk about defending these democracies! If that be democracy, God save the word!

We have a democracy here. Let us save that democracy. Let us attend to our own affairs and preserve and protect our own people, including our 12,000,000 unemployed.

If we enter another destructive world war, democracy may disappear from the earth. We may scrap our own institutions. We may ruin the work that our fathers and founders laid down in this country, which they have bequeathed to us, which it is our sacred duty to uphold, and which we are sworn to uphold.

I am weary of hearing about defending democracies which are nothing but bloody, aggressive empires, which hold hundreds of millions of enslaved people under their imperial rule. We are still nursing our wounds from the last war "to save the world for democracy." We are still trying feebly to collect billions of unpaid war debts which the debtors solemnly promised to pay, but never paid; and yet they have the nerve to come over here to us now and ask us again to defend their democracies—democracies, indeed!

THE STATE OF BRITISH DEMOCRACY IN 1928

"We have not got democratic government today. We never had it, and I venture to suggest to honorable members opposite that we shall never have it. What we have done in all the progress of reform and evolution of politics is to broaden the basis of oligarchy."—Anthony Eden.

Mr. REYNOLDS. Mr. President, I take this opportunity to place bouquets where they deserve to be placed. I wish to say that I consider my friend and colleague, the Senator from Minnesota [Mr. LUNDEEN], who has been so kind as to contribute to the few words I had to say upon this subject, to be one of America's greatest patriots, and I wish that all America could hear me say that, because I know of no man in this body who is more thoroughly interested in the American taxpayers and in the future of America than is the distinguished Senator from the great Commonwealth of Minnesota.

Mr. LUNDEEN. I wish to thank the Senator from North Carolina for that statement, for I have vivid recollections of a time when I was called something other than a patriot.

Mr. REYNOLDS. I recall that once upon a time when the Senator was a Member of the House of Representatives he had the courage of his convictions and voted against America's entering the war to save the world for democracy, and to save Christianity, and to stop all war, and when he returned to his State he was threatened with lynching, and people wanted to run him out of town; but later they returned him to the Senate as Minnesota's hero, and I am glad they returned him because the American people have in this body a 100 percent patriotic and courageous citizen.

Mr. President, even though my colleagues are aware of the exact amounts owed by these defaulters—and I apologize to them for taking up their time, for I know that they are more thoroughly familiar with this subject than I am—I want the American people to know just who owes and how much. Then they will know how to answer the war makers and gossipmongers of Europe when they come around again with their little cup begging for help. As certain as it is that we are here today, they will be coming around with their little cups begging again for our money and our men.

I have before me a statement which some months ago I inserted in the CONGRESSIONAL RECORD when I was speaking upon this same subject upon the floor of the Senate. The statement shows the total indebtedness of foreign governments to the United States as of January 31, 1938. I ask that the statement be inserted in the RECORD as a part of my remarks at this point.

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

The statement is as follows:

Statement showing total indebtedness of foreign governments to the United States, Jan. 31, 1938

Country	Total indebtedness	Principal unpaid	Interest postponed and payable under moratorium agreements	Interest accrued and unpaid under funding and moratorium agreements
Funded debts:				
Austria	$26,005,480.99	$25,980,480.66		$25,000.33
Belgium	440,576,360.97	400,680,000.00	$3,750,000.00	36,146,360.97
Czechoslovakia	165,658,603.61	165,241,108.90		417,494.71
Estonia	18,039,718.13	16,466,012.87	492,360.19	1,081,345.07
Finland	8,350,481.00	8,198,489.98	151,991.02	
France	4,121,120,502.59	3,863,650,000.00	38,636,500.00	218,834,002.59
Great Britain	5,263,719,066.73	4,368,000,000.00	131,520,000.00	764,199,066.73
Greece	33,868,484.24	31,516,000.00	449,080.00	1,903,404.24
Hungary	2,316,268.35	1,908,560.00	57,072.75	350,635.60
Italy	2,019,907,055.68	2,004,900,000.00	2,506,125.00	12,500,930.68
Latvia	8,300,896.27	6,879,464.20	205,989.96	1,215,442.11
Lithuania	7,429,514.65	6,197,682.00	185,930.46	1,045,902.19
Poland	252,159,819.66	206,057,000.00	6,161,835.00	39,940,984.66
Rumania	63,971,892.36	63,860,560.43		111,331.93
Yugoslavia	61,663,515.63	61,625,000.00		38,515.63
Total	12,493,087,660.86	11,231,160,359.04	184,116,884.38	1,077,810,417.44
Unfunded debts:				
Armenia	22,705,400.00	11,959,917.49		10,745,482.51
Nicaragua	487,544.98	289,898.78		197,646.20
Russia	375,742,114.78	192,601,297.37		183,140,817.41
Total	398,935,059.76	204,851,113.64		194,083,946.12
Grand total	12,892,022,720.62	11,436,011,472.68	184,116,884.38	1,271,894,363.56

Mr. REYNOLDS. Mr. President, the statement was secured by me from the Secretary of the Treasury, Washington, D. C. It shows the indebtedness of foreign governments to the United States as of January 1938. I may add that since the statement was made Finland has paid on account of the above amount $232,935.50, and Hungary has also reduced her debt as shown on the table by the sum of $9,828.16. That is a small amount, but it is something. It is better than nothing. The indebtedness of Germany is not shown in the above statement provided me by the Treasury Department.

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

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. It would seem to me that Germany should be held responsible for the Czechoslovakian and Austrian debts.

Mr. REYNOLDS. I am quite in accord with the Senator. In view of the fact that the Senator has suggested that Germany took over Czechoslovakian territory I am thoroughly of the opinion that Germany should be called upon to assume obligations that were made by Czechoslovakia, and I do not see how anyone could argue otherwise.

Mr. LUNDEEN. If I may make a brief statement here I should like to say that great credit is due to the Republic of Finland, which has scrupulously observed its obligations to this Government. It is true that of the original debt they are only paying on about one-half, but that is the amount fixed in the refunding agreement, and they are paying all that is required under that agreement, and Finland is the only nation that is observing that treaty, and it is to the eternal credit and glory of that country and that people that they are doing so.

They have shown their sterling honesty to our country. I will certainly join with the Senator in his statement that we in America could use this money now for the benefit of our people.

I should also like to suggest that along our coast line here, circling the Panama Canal and the Nicaragua Canal region, making an impossible barrier where we cannot even get our ships through without permission from a foreign government in times of war, are islands which ought to be under the American flag. They ought to belong to Uncle Sam. They ought to be American territory. They are American islands, and these foreign governments should turn them over now to apply on the debts that they refuse to pay. The British Empire has nearly one-third of the world under its flag and boasts that it is the greatest empire of all time. This Empire has 600,000,000 people under its flag; this Empire has five times the gold production of the United States. Canada alone produces as much gold as the United States; South Africa four times as much as the United States. They come over here and try to dazzle us with their diamonds and their diadems; their crowns and other royal jewelry. Their royal salary is $5,000,000 a year, whereas our President is paid $75,000 a year.

They paid the commander in chief of their Army, Marshal Haig, a bonus of $500,000 after the war, which I take it was American money; and he never won a great battle in his life. He served under a French general. He did not have the capacity and ability to be commander in chief in the World War, but he absorbed $500,000 of our money.

Mr. REYNOLDS. We paid his salary.

Mr. LUNDEEN. When the war was over we paid him a bonus of $500,000; and he never won an important battle in his life. He served under a French general, Foch. The British paid—I presume with our money—$500,000 to Admiral Beatty, who lost three men and three tons to the Germans' one in the Battle of Jutland, although it must be said to the credit of the British fleet that they succeeded in isolating the German fleet. However, the losses were 3 to 1. He received $500,000, I take it, of American money that we loaned the British. No wonder they are paying these huge amounts and can be so liberal with our money.

Mr. REYNOLDS. And with other people's property. For example, Czechoslovakia is always appeasing at the expense of somebody else.

Mr. President, lest we forget, the figures referred to should be stamped on the memory of every man and every woman in each of our 48 States, thus making it conclusive that our great Uncle Sam will never again—I hope—act as Santa Claus to any ungrateful country or countries.

Think of what happens to one of us when we do not pay our bills. Think of what happens to me when I do not pay my bills. Our creditors are very polite at first. They send us a gentle reminder. Then if we do not pay they begin to get "tough." We receive a strong letter, their attorney telephones, and finally we hear a rap on the door, and there stands the man they sent to collect the debt. That is why, Mr. President, I have taken the floor today to urge upon the Senate that we appoint a collector to collect the money which various countries in Europe owe to 130,000,000 Americans. Why should we go on piling up national debts and carrying a terrific load of international debts? We should not. We should dun Europe until we collect the debts, Mr. President. Why should we not have a collector to rap on the doors of the exchequers of Europe? Why should not some of the cash which Europe is spending for armaments be spent to pay some of its billions upon billions of debt to the 130,000,000 people of the United States?

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

Mr. REYNOLDS. Gladly.

Mr. LUNDEEN. I wonder if the Senator means that we are not now trying to collect the money?

Mr. REYNOLDS. I have not lately heard anybody ask them to pay us.

Mr. LUNDEEN. Are we only sending over perfumed letters asking what they will do about it, and then receiving another scented note in reply? Or is there any Jacksonian red blood and backbone in the American Department of State? What has become of the Americanism we used to have in this country? Shall we stand idly by, with 12,000,000 idle people starving to death in this country, and permit empires which are spending upward of $10,000,000,000 in rearmament programs to continue to do so, sending out little perfumed notes and allowing them to come back with some little nonessential statement, and then dropping the matter and saying nothing further about it? If that is Americanism, God save the word.

Mr. REYNOLDS. With 12,000,000 out of employment and $13,000,000,000 due us when June 15 came, they did not even have the decency to write letters to the effect that they regretted that they could not liquidate any part of the principal or any portion of the interest.

Mr. CLARK of Missouri. Mr. President, will the Senator yield?

Mr. REYNOLDS. I yield.

Mr. CLARK of Missouri. Mr. President, I noted the same thing the Senator from North Carolina did on June 15 as to the failure of the nations which are in default to us even to acknowledge the fact that they owed us a debt. The thought occurred to me that if we could not get our money we might at least learn a lesson from our past experience. The thought occurred to me that it might be possible for the Congress of the United States to pass a resolution or a bill reciting the facts as to the debts owed us at the conclusion of the last war; as to the example of the United States in possibly the greatest exhibition of generosity which ever took place in international affairs in the history of the world, voluntarily scaling down all those debts to 60 percent; reciting the facts of default; and then setting aside June 15, the due date which has been so much ignored by foreign powers, as a national holiday, a day for meditation and prayer of the American people under the name of "keep-out-of-war day."

Mr. REYNOLDS. I will say to the Senator from Missouri that I shall be very happy indeed to support such a resolution.

Mr. President, On April 13 of this year I introduced Senate Concurrent Resolution No. 12, which provides a practical and businesslike way of collecting the debts. It calls for the employment of Mr. William Griffin, editor and publisher of the New York Enquirer, as a special envoy to the debtor nations for the purpose of assuring their fulfillment of their signed and sealed agreements with America to pay their debts in the manner specified in the agreements. There can be no question as to the qualifications of Mr. Griffin for this mission. His qualifications are set out in detail in my resolution.

Since the introduction of my resolution many distinguished Members of Congress have expressed, in interviews with the public press, their high opinion of Mr. Griffin's capabilities and enlightened patriotism and have warmly advocated his appointment as a special war-debt envoy. Statements regarding Mr. Griffin have been made by many. Among them are many of my colleagues in the Senate, including the Senator from Nevada [Mr. McCARRAN], the Senator from Tennessee [Mr. McKELLAR], the Senator from North Dakota [Mr. NYE], the Senator from Maryland [Mr.

RADCLIFFE], the Senator from Georgia [Mr. GEORGE], the Senator from Delaware [Mr. TOWNSEND], the Senator from Pennsylvania [Mr. DAVIS], the Senator from Colorado [Mr. ADAMS], and many Members of the House, including the Speaker thereof [Mr. BANKHEAD], and the minority leader [Mr. MARTIN]. To my mind the resolution calling for the designation of a special war-debt envoy is of such national importance that it should be acted upon at the earliest possible moment. I bespeak immediate consideration thereof, Mr. President.

Altogether apart from the enormous sums involved, amounting to $13,000,000,000, there is another vital matter at stake in the collection or noncollection of the debts. Mr. President, we hear much nowadays on both sides of the Atlantic concerning the sanctity of treaties and international good faith. It is the utter disregard for the sanctity of treaties and international good faith which animates so many of the Old World countries and which is at the bottom of the terrible ills from which the world today unquestionably is suffering. Our European war debtors, led by England and France, were the first in the post-war days to set an example of total disregard of the sanctity of treaties and international good faith when they decided to defraud Uncle Sam of the billions of dollars he loaned them when their backs were to the wall; and if we do not insist upon the payment of these debts we will place an unheard-of premium on international dishonesty.

Mr. LUNDEEN. Mr. President, will the able Senator yield?

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. In that connection I should like to remind the Senator of the resolution introduced by the minority leader, the Senator from Oregon [Mr. MCNARY], and the Senator from Massachusetts [Mr. LODGE], which proposes to acquire essential war materials to apply on the payment of the debt.

Mr. REYNOLDS. By the way, if the Senator will pardon me for interrupting, I think the able senior Senator from Wisconsin [Mr. LA FOLLETTE] likewise introduced a resolution of that description several weeks ago. I see the Senator from Wisconsin in the Chamber. That is why I mention the matter at this particular time.

Mr. LUNDEEN. I thank the Senator. I was not aware of that fact. It is a very great credit to the able Senator from Wisconsin that he has introduced a resolution along that line.

Mr. REYNOLDS. In that connection I will say to the Senator that I have had in mind the introduction of a similar resolution.

Mr. LUNDEEN. I hope the distinguished and able Senator from North Carolina will do likewise, as he suggests.

Mr. REYNOLDS. I am in thorough accord with that suggestion.

Mr. LUNDEEN. It seems to me there is one very logical, sensible method of obtaining at least a partial payment. I am now making a survey of certain islands on the west coast of the Panama Canal Zone, within a certain circumference which would be within striking distance of bombing planes. I have some information from the War Department in that connection. I find that the French have an island in that vicinity which we could well use; and certain other islands can be acquired by negotiation and purchase. It seems to me that the resolutions which have been introduced looking to the acquirement of essential war materials in payment of the debts are really in the nature of defense measures.

Mr. REYNOLDS. Certainly.

Mr. LUNDEEN. Such measures would serve the Treasury of the United States and save the taxpayers' money. Why not think of American taxpayers once in a while instead of always weeping on the shoulders of Great Britain and France? Other and debtor nations have great quantities of rubber, of bauxite, which is used in the manufacture of aluminum, and of other essential materials that we should have. Let them turn such materials over to our country, and we will give them credit on the debts.

Mr. REYNOLDS. The Senator is quite correct. In that connection I remind the Senator at this time that not so long ago this body passed a bill pertaining to essential war materials which we do not have in this country, to the extent of requiring an appropriation of $100,000,000.

I have suggested, and later in my argument here today shall again suggest, that the debtor countries be provided the opportunity of liquidating, at least in part, their obligation to us in tin and in rubber and in nickel, materials of which we are not possessed in this country; and if they would do that, it would not affect the production or sale of anything of that sort that we have here in the United States.

Mr. President, it is imperative to compel the payment of these defaulted billions. The time has arrived when we must demand payment. The matter now has reached such a stage that it is absolutely necessary for us to send a special envoy to Europe to set the collection wheels turning and assure that they will keep turning until they have ground out the very last cent due the taxpayers of your State of Oklahoma and the taxpayers of all the other States of the Union.

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

Mr. REYNOLDS. I am glad to yield?

Mr. LUCAS. I am in full sympathy with what the Senator wants to do so far as the debts are concerned. The Senator says the time has come when we should demand payment of the debts. After we make the demand, however, if nothing is done, what are we going to do?

Mr. REYNOLDS. There are many things we could do. As a matter of fact, if Great Britain refused to pay her war debts, in my humble opinion we could seize properties in the United States today belonging to Great Britain or belonging to any of the British people. In addition to that, the British are possessed of considerable wealth in the neighborhood of the United States, and we could bring about considerable embarrassment in that connection. I will say to the Senator from Illinois that if we should demand payment of the moneys which the British Government owes the taxpayers of the United States and should let the British governmental representatives know that we meant business, in the fix that they are now in they would not dare deny payment.

Mr. LUCAS. Am I to understand the Senator now to advocate the seizure of certain properties nearby which belong to England in the event they should refuse to pay their debt?

Mr. REYNOLDS. Not at all; I do not advocate that.

Mr. LUCAS. But I understood the Senator, in his previous remarks to me, to say that that could be done when I asked him, after a demand was made, if there should be a refusal to pay or no evidence of any bona fide intention to pay, what this country would do toward the collection of the debt.

I want to collect the debt just as badly as does the Senator from North Carolina; but I am wondering what vehicle the Senator from North Carolina is going to use in case the demands are refused.

Mr. REYNOLDS. I will say to the Senator that we shall never reach that stage. As I said a moment ago, if we let Great Britain know that we mean business, and that we in this country need the $13,000,000,000 that is due us to take care of our millions of unfortunate people who are out of employment and who are dependent upon the Government of the United States to care for them, Great Britain will liquidate that obligation. We know that Great Britain has the money with which to pay us. We know that she is possessed of the gold with which to pay us, because Great Britain is constantly making loans to various other countries of the world, and spending billions upon billions for armaments in preparing for another war to preserve her empire; but, unfortunately, she is not sufficiently grateful to pay the American people the amounts that she borrowed and that we loaned to her during the trying days of the World War, from 1914 to 1918, when she was participating in that conflict.

Mr. LUCAS. Can the Senator tell me the last time Great Britain made any payment on this obligation?

Mr. REYNOLDS. It has been many years. I do not exactly recall.

Mr. LUCAS. Does the Senator agree with me that we can judge the future only by the past, and that if the British

have not paid any of this indebtedness in the past, and they have all of this property with which to pay, a mere demand by this country is not going to cause them to pay?

Mr. REYNOLDS. I will say to the Senator that I do not believe England has any intention of paying her war debt. Some of the men highest in authority in Great Britain have said that they do not owe us anything; that as a matter of fact we did not do them any good. They have said that if we had not sent our forces over there, they would have settled the war in 1917. Some men high in authority in Great Britain have said that we really were injurious to them, and that if we had not gotten into the war millions of lives would have been saved.

I am very happy the Senator mentioned that matter, because I am going to bring to the attention of the Members of this body a conversation which took place between an American citizen and some of those in authority in Great Britain. I will say to the Senator that I do not believe the British have the slightest intention upon earth of paying us. I say that, first, as a result of the fact that I have been advised of conversations that took place between an American citizen and those in high authority in Great Britain; and, in the second place, because the British are possessed of more wealth than perhaps any other nation upon the face of the earth outside of our own United States, and yet they have never evidenced the slightest desire or inclination to make payment of this obligation, which the Senator from Illinois most certainly agrees with me is due.

Mr. LUCAS. If the Senator will further yield, in view of his last statement that he believes England never intended to pay the debt, what good can be accomplished by sending to England this Ambassador of good will, so to speak, for the purpose of trying to collect it?

Mr. REYNOLDS. There are many times when one who is indebted to another does not pay, and does not really interest himself in making an endeavor to liquidate an obligation, so long as he receives perfumed notes such as were mentioned a moment ago by the Senator from Minnesota [Mr. LUNDEEN], but when the creditor's lawyer gets after him, and then when finally the sheriff knocks on the door, and the debtor knows that the creditor means business, the debtor wakes up and makes an earnest effort to liquidate at least a portion of the obligation.

Mr. LUCAS. I can appreciate the sheriff's knocking on the door in the case of a private obligation between two citizens of this country; but the point I am trying to ascertain from the distinguished and able Senator from North Carolina who is constantly talking upon this question—and I think it is a very good thing for the country—is what the Senator from North Carolina and the Senator from Minnesota are going to do about this matter in the final analysis if England and the other defaulting nations continue to refuse to pay their obligations.

Mr. REYNOLDS. Before we ascertain what procedure we shall take, I think first we should let those in high authority in the debtor nations at least know that we mean business. As a matter of fact, according to my recollection, we have never proposed to them that they deliver or arrange to deliver to us any part or portion of any lands they have in the Western Hemisphere in part payment of their indebtedness.

Mr. LUCAS. It would be fine if they would do that. We could use these islands, of course, or any of the lands that belong to England, as part payment, perhaps; but suppose they say, "No; we are not going to do it"?

Mr. REYNOLDS. Let us not make that supposition until after we have made the request. Let us first ascertain whether or not the debtor nations are really desirous of evidencing their appreciation and demonstrating their honesty by complying with the request. In that connection, I desire to make particular mention of another matter at this time, in view of the fact that the subject was broached a moment ago by the Senator from Minnesota [Mr. LUNDEEN]. He mentioned the fact that Great Britain is the possessor of some islands just beyond gun range of the Panama Canal. In addition to that, as the Senator knows, she owns British Honduras. In addition to that she has a number of islands strung through the West Indies, beginning at Port of Spain, the capital of Trinidad, and reaching around the arc of the West Indies by way of Martinique and the Virgin Islands, Puerto Rico and Haiti, and over to Cuba. She has land there that we want. We have had some discussion upon the floor of the Senate, we have seen much in the columns of the press almost daily, in reference to our national-defense program, in reference to the suggestion that we fortify the circle in order that we may well assure the safety of the entrance to and the locks of the Panama Canal from the Atlantic.

By the way, I might mention something which to my mind is just as important as that. Great Britain owns, within an hours' travel by airplane from Miami, Fla., the islands of Bimini and Nassau; and from there it is only an hour and a half more by plane until we reach the island of Bermuda, the capital of which is Hamilton. Hamilton is a distance of only 500 miles directly east of the coast of North Carolina. I have heretofore suggested that England might be prevailed upon to bring about the transfer of that piece of property to us; and we would be particularly interested in that, for the reason that 95 percent of all the revenue derived by the Government of Great Britain through its capital and seaport of Hamilton comes out of the port of the city of New York; whereas, as the Senator from Indiana [Mr. MINTON], who is present this afternoon, knows, Bimini and Nassau are only a few miles off the coast of Florida.

We do not want to be rude about the matter, we want to be as gracious as we possibly can be; we do not desire to incur any ill feeling if it can be avoided; but let us seriously ask if they would be willing to make transfer of some of this property in the Western Hemisphere which we really need.

In addition to that, of course they might be able to make some arrangement about Newfoundland. There are a couple of islands just north of Newfoundland, and the French also have possessions in the Western Hemisphere.

I shall in a moment bring to the attention of this body some very interesting conversations which took place between an American citizen and officials high in authority in England.

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

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. I wish to call attention to the fact that the British did pay something up until about 1931.

Mr. REYNOLDS. I do not remember the date of the last payment.

Mr. LUNDEEN. The records of the Debt Commission will show. What we ask them to do now is to resume payments. They did pay some. Let them resume or have they been told they do not need to pay any more? If so, who told them that?

Mr. REYNOLDS. The data I have do not cover the last interest payment.

Mr. LUNDEEN. Why did they stop? Did some one say, "It is all right; it can ride along for a while, and we will not ask you for it"? Is that what happened? Why did we suddenly become so mellow and so kindly and so gentle with this great, huge, warlike empire, upon which the sun never sets, but which has not paid its debts in recent years?

Mr. REYNOLDS. Is there any reason why we should not ask them to pay? Is there any reason why we should not knock at their door every day and request payment?

Mr. MINTON. Mr. President, will the Senator from North Carolina yield?

Mr. REYNOLDS. I yield.

Mr. MINTON. As I have understood the Senator from North Carolina and the Senator from Minnesota, they are advocating taking over the islands they have mentioned. Has it not been our experience that the islands we now have are a liability instead of an asset?

Mr. REYNOLDS. I quite agree.

Mr. MINTON. Then why does the Senator want to have us take on some more?

Mr. REYNOLDS. Our naval authorities and others interested in national defense have suggested that we should erect fortifications, particularly in that area of the Atlantic, which

would provide greater and better protection for the eastern entrance to the Panama Canal.

Mr. LUNDEEN. Mr. President, will the able Senator kindly yield further?

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. I have frequently been met with this statement, "What do you want with those sand bars out there in the West Indies?" Now, I am making an exhaustive research into the resources of these islands of the West Indies, and, with the permission of the Senate, I shall at a later date be glad to present the record of the untold resources of these islands. I cannot hope to give a complete picture of their resources, but at least in part I hope to do so. For instance, in Trinidad there is an inexhaustible asphalt mine. We have recently heard about that in connection with paving matters here in Washington. For a hundred years those operating that mine have taken that substance out of the earth, and it just wells right up to the same level, and, so far as anyone knows, this material, no matter how much is taken out for a thousand years to come, will remain at the same level.

Just today I cut an article out of a paper in which it is stated that the island of Saba, a small island in the West Indies, contains the only pure sulfur mine in the world.

> The only pure sulfur mine in the world is on the strange island of Saba, lying south of the Virgin Islands. Saba is a volcanic cone rising from the sea. Eight hundred steps lead up from the beach to the town, curiously called the Bottom, and peopled by an isolated community of thrifty Dutch, who construct seaworthy sloops inside the crater and lower them over the rocks to the sea.—Carl Kulberg.

Consider Bermuda, for instance. Is there any greater tourist point in the Western Hemisphere than Bermuda? Is that not a gold mine in itself? And its American money that pours in there in an ever-increasing tide.

The fishing grounds of the West Indies are world famous and may well prove to be inexhaustible—from the same source I include the following clipping—

> The Atlantic Ocean off the Bahama Banks is often less than 30 feet deep and the unusual transparency of the water reveals many sea denizens. About 100 miles north of Puerto Rico is Nares Deep, the deepest known spot—27,972 feet.

Mr. REYNOLDS. What about Jamaica?

Mr. LUNDEEN. Of course. The distinguished Senator is more traveled than I, and is more familiar with these things, but I am somewhat familiar with them. Would anyone think of turning back Puerto Rico? We recently appropriated hundreds of millions of dollars for the fortification of Puerto Rico. Would anyone think of turning back the strategic Virgin Islands, 100 miles farther east than Puerto Rico? Would anyone want to relinquish the protectorate which we have over Cuba? Though that is a free country, yet there is an American protectorate over it, and we would not permit any foreign foe to come there, or any European flag to fly over that great island.

These islands are possessed of great resources, and it is about time that the American people got the information that here are great resources right at our front doorstep, and here we have the finest and best air bases. From Bermuda an enemy nation can strike Baltimore, New York, Philadelphia, or any of the west coast cities within 2 or 3 hours with their bombers. We should have Bermuda as our base. It should be American. It should not be under a foreign flag. It is an American island, and it is and of a right ought to be American.

Mr. REYNOLDS. Let me say to the Senator, in reference to the value of these islands, that, according to my recollection, during the course of the World War the United States paid $25,000,000 for the Virgin Islands, and we would not sell them at any price now, because we desire to fortify them. I thank Senators for their kind inquiries and contributions. If we do not insist upon payment of these debts, we will place an unheard-of premium on international dishonesty.

It is imperative to compel the payment of these defaulted billions of dollars. The matter has now reached a stage where it is absolutely necessary to send a special envoy to Europe to collect the debts.

I wish to call particular attention to a statement by the President of the United States himself. Five years ago the President said concerning the war debts:

> These obligations furnished vital means for the successful conclusion of a war which involved the national existence of the borrowers, and later for a quicker restoration of their normal life after the war ended.
>
> The money loaned by the United States Government was in turn borrowed by the United States Government from the people of the United States; and our Government, in the absence of payment from foreign governments, is compelled to raise the shortage by general taxation of its own people in order to pay off the original Liberty bonds and the later refunding bonds.

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

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. Then I understand that we are raising money by taxation of our American people to support the British Empire right now?

Mr. REYNOLDS. Certainly.

Mr. LUNDEEN. According to the President's own statement.

Mr. REYNOLDS. Not only that; but they are asking that we take all the refugees from all the earth, all those they do not want in their own countries, and feed them, when there are millions here who are hungry. The President of the United States stated that one-third of our people are undernourished, ill-housed, and improperly clothed. The President continued:

> It is for these reasons that the American people have felt that their debtors were called upon to make a determined effort to discharge these obligations. The American people would not be disposed to place an impossible burden upon their debtors—

And we would not—

> but are nevertheless in a just position to ask that substantial sacrifices be made to meet these debts.

That is what the President of the United States said in particular reference to the subject I have under discussion at this time. The President continued—and this was 5 years ago:

> We shall continue to expect the debtors on their part to show full understanding of the American attitude on this debt question. The people of the debtor nations will also bear in mind the fact that the American people are certain to be swayed by the use which debtor countries make of their available resources—whether such resources would be applied for the purposes of recovery as well as for reasonable payment on the debt owed to the citizens of the United States, for the purposes of unproductive nationalistic expenditure, or like purposes.

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

Mr. REYNOLDS. I yield.

Mr. BRIDGES. The mere fact that the President of the United States, Mr. Roosevelt, made certain statements 5 years ago, would not be any indication that he believes those statements or would stand by them today, would it?

Mr. REYNOLDS. I beg the Senator's pardon?

Mr. BRIDGES. The Senator was referring to some statements made by the President of the United States, Mr. Roosevelt. My question was, judging from our experience, is it the opinion of the Senator, simply because Mr. Roosevelt, President of the United States, made those statements 5 years ago, that would be an indication that he believed them or would stand by them today?

Mr. REYNOLDS. I will say to the Senator from New Hampshire that the President of the United States made those statements then, and I am sure that the President of the United States would today stand by the same statements he then made. But that would be no indication of the fact that the President of the United States is not desirous that Great Britain should pay her war debts. As a matter of fact, I am thoroughly and firmly of the opinion

that the President of the United States is just as desirous of collecting the honest debts that are due to the taxpayers of America as is the Senator from New Hampshire or as I am, if I may say so.

Mr. BRIDGES. My answer to the Senator is that from my personal observation of the President of the United States and his very shifting positions, I would not be at all sure that the fact that he said something 5 years ago would be any indication that he believed the same way today. I should think that he might have changed several times in the meantime, and perhaps may have a wholly different view today.

Mr. REYNOLDS. As a matter of fact, the President of the United States is but human, like the Senator and myself, and conditions change. Many times have I changed my position, and I am convinced that the Senator will agree with me that many times he has changed his position. The position depends entirely upon the shifting of sands, and time has a great deal to do with the shifting of sands.

Mr. BRIDGES. I believe a person should change to meet conditions, but the President for one seems to me personally to be able to shift even faster than conditions shift.

Mr. REYNOLDS. In what particular respect does the Senator mean?

Mr. BRIDGES. In about every respect that I have observed. For instance, on fiscal policies.

Mr. REYNOLDS. I cannot recall at this time any instance in which the President of the United States has shifted without due cause, or for perfect reason, I may say.

Mr. BRIDGES. I did not want to embarrass the Senator in that respect, but I should recall that the President was elected on a platform of economy, and that he took the position that there should be a 25-percent reduction in expenditures, and so on, and it seems to me that he has shifted greatly from that position.

Mr. REYNOLDS. I may say to the Senator that when the President of the United States took office in March 1933, conditions thereafter immediately changed. We had been going from bad to worse, and when the present President of the United States took office he found millions upon millions of unfortunate men and women who were undernourished and improperly clothed, and he found suffering and misery on every hand. Being the great humanitarian that we have found him to be, he endeavored as best he could, as all Americans have endeavored as best they could, to find jobs for those unfortunate people who were not able to find jobs. Industry had not been able to provide them with employment. We had been in a depression, as the Senator recalls, many years before the President took office, a depression which began in October 1929, and I will say to the Senator that the President's position has never shifted from the time he took office in March 1933 up to the present time insofar as being interested in the unfortunate men and women of this country.

Mr. President, I am sure the Senator will go along with me and vote money out of the Treasury of the United States so long as there are empty stomachs to be filled, and so long as there are poor men and women to be cared for.

Mr. BRIDGES. The President probably has not shifted in his feeling toward the unfortunates, but his approach to dealing with those unfortunates has shifted many, many times.

Mr. REYNOLDS. Mr. President, it is my firm conviction that the time for leniency toward our war-debt defaulters has passed. No one can justly say that we have acted like a Shylock. The debtor nations have accused us of being a Shylock. The heart of the whole trouble lies in the fact that our war debtors simply do not wish to pay. And as I stated a moment ago they do not intend to pay. Had they the will to make good they could have made good long ago, and their making good would have been as beneficial to them as it would have been to us. The other day, the outstanding economist, M. S. Rukeyser, whose articles are closely studied daily from coast to coast, hit the nail on the head when he affirmed—I quote from the New York Journal-American:

> The pivotal excuse for the default has been the difficulty of international transfer of large sums, especially in times of depressed trade. However, the argument that payment can only be made in goods and services, or in gold does not reveal the whole truth. Individuals and financial institutions in Great Britain and France own substantial holdings of American securities, tangible property, and bank balances. If the will to liquidate the war debt existed, this could be accomplished by mobilizing these foreign holdings of American assets and turning them over to the American Treasury, thus obviating the awkward necessity for transfer of colossal sums through the foreign exchange market. The British and French Governments could then reimburse their own nationals in their own currency or internal bonds.

That was the answer I gave a moment ago to the senior Senator from the State of Illinois [Mr. LUCAS] when he made inquiry as to how we could bring about the collection of the debt or any portion thereof.

France, England, and Italy, the leaders in the war-debt defaulters' united front, while brazenly asserting that they have not the wherewithal to meet their indebtedness to us, are making loans wholesale to European countries for political and commercial advantage, as was stated a moment ago by the able Senator from Minnesota, who has just risen, and to whom I gladly yield now.

Mr. LUNDEEN. Mr. President, briefly I wish to say that I wonder if the great Empires of Britain and France are not setting a rather bad example to the little nations or smaller nations who owe us money. There are a score of nations who owe us money, and I imagine in their chancelries they will say, "Well, Britain and France are not paying. Why should we?" And so the whole debt structure collapses right there.

Mr. REYNOLDS. Certainly they are setting a very bad precedent, because we know by experience that unless the larger nations pay, the smaller nations are not going to make the slightest gesture toward paying.

Mr. President, on June 6, less than 2 weeks ago, the United Press transmitted a news dispatch from London to the United States which stated:

> Great Britain has extended substantial new credits to Turkey, it was understood today, since Turkey joined the Anglo-French security front. The sum of $46,862,500 was mentioned. It was recalled that Britain lent Turkey $74,980,000 in April 1938.

The temerity of England in carrying out a transaction of this kind less than 2 weeks before the semiannual payment on her war debt to Uncle Sam fell due is beyond the bounds of adequate condemnation.

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

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. Would it be just to say that, so far as the British Empire is concerned, they have said in effect, millions for the Turks, but not a dollar for America?

Mr. REYNOLDS. Righto.

Mr. President, if it were true that our war debtors were unable to liquidate their indebtedness to us in cash, that would not in the least absolve them from the solemn duty of paying us every cent they owe us. England controls the rubber—referring to the subject mentioned a moment ago by the Senator from Minnesota [Mr. LUNDEEN]—the tin, and the nickel supply of the world. The United States is the largest market for these three products. Had Great Britain the will to pay, she could readily make use of these products in the liquidation of her indebtedness to us, as suggested by innumerable resolutions introduced in Congress. The plain truth of the whole situation is that not one of our war debtors is actuated by good faith, and each is determined to defraud Uncle Sam of his war-debt account if Uncle Sam will only permit it.

We are all Americans, whether we are Democrats or Republicans. There is no such thing as Republican Americanism. There is no such thing as Democratic Americanism. It is just plain Americanism. We all love America, and each of us is at all times eager to serve her to the best of his ability. None of us would knowingly wrong his country.

One of the gravest misfortunes which can befall any nation is that of being contemptible in the eyes of the world. Whether

or not we realize it, the United States of America is regarded with supreme contempt throughout the globe as a gullible nation. In order to show the attitude of our war debtors toward us I wish to give the Senate some information which has been given to me by Mr. William Griffin, the editor and publisher of the New York Enquirer. This information startled me, Mr. President. As a matter of fact, I heard about it only about 3 or 4 months ago, when I was talking with him. I am confident that it will startle the Senate.

During a recent trip to Europe, Mr. Winston Churchill, First Lord of the Admiralty in the British Cabinet during the World War, invited Mr. Griffin to call on him at his home in London. During the course of a long visit Mr. Churchill asked what were some of the questions uppermost in the minds of the American people regarding Anglo-American relations. The questions were asked by Winston Churchill of Mr. William Griffin, his American guest. Mr. Griffin told Mr. Churchill that the outstanding issue in the United States that was disturbing Anglo-American relations was England's failure to pay her war debt.

Mr. Churchill then said to Mr. Griffin:

I think that England should pay every single dollar she has borrowed from your country. But before paying in full she should be allowed to deduct half the cost of all the shot and shell she fired at the Germans from the time America declared war until she put soldiers in the front-line trenches over a year later.

Asked if we allowed England to make the deduction in question, how much would it amount to, Mr. Churchill answered:

I was in a position to know just how much it cost England to carry on the war, and, according to my figures, England should be allowed to deduct $4,900,000,000 from the debt America claims England owes her before a final settlement is made. When you declared war you became partners in war, and therefore your country should be willing to bear its just cost of carrying on the war.

Mr. Griffin then told Mr. Churchill that it was our opinion that America had saved the British Empire from destruction and from overwhelming defeat. Mr. Churchill disagreed with him regarding America's contribution toward winning the war, and stated unequivocally that although he was enthusiastic over our declaration of war, he could now see that it was all a horrible mistake, and that we should have stayed at home and attended to our own business.

Mr. Churchill said England would not have lost the war, because, said he:

We would have made peace with Germany in the spring of 1917, and by so doing would have saved over a million British and French lives.

As I mentioned a moment ago. Mr. Churchill continued—think of the audacity of this—

America's entrance into the war was disastrous not only for your country but for the Allies as well, because had you stayed at home and minded your own business we would have made peace with the Central Powers in the spring of 1917, and then there would have been no collapse in Russia, followed by communism; no breakdown in Italy, followed by fascism; and nazi-ism would not at present be enthroned in Germany. If America had stayed out of the war and minded her own business, none of these "isms" would today be sweeping the Continent of Europe and breaking down parliamentary government.

Now, Mr. President, let us turn to Mr. Lloyd George, wartime Prime Minister of England.

The former British Prime Minister explained to Mr. Griffin, while Mr. Griffin was his guest, that the United States could have brought an end to the World War without sending a single soldier to France, a single ship to the North Sea, or a single airplane to the western front, or, for that matter, spending a single dollar in Europe for war purposes. Said Mr. Lloyd George:

When the World War broke out in 1914 Theodore Roosevelt advocated that the United States raise and equip a standing Army of 1,000,000 soldiers and build the largest and most powerful Navy in the world, and constitute an air force to back up your Army and Navy. If you had adopted that program and had your Army, Navy, and air force ready for war in the summer of 1915 or 1916, and then you had called on the warring nations of Europe to sit down around the council table and talk peace, we would have acceded, because we would not have known which side you might plunge in on, and all the nations in Europe at war would have feared the armed might of America.

In that connection, Mr. President, I wish to take this opportunity to commend the President of the United States and the administration for insisting upon an adequate force of armed men and sufficient supplies of every nature in this country because, in my humble opinion, with strength we shall not experience any difficulty with anybody.

Lloyd George continued:

You went to war with us in 1812 over the freedom of the seas, but I think we offended you just as much by our activities on the high seas during the World War as we did in 1812. On the other hand, the Germans also offended you by their submarine warfare, which resulted in the sinking of a number of American flag ships.

President Albert Lebrun, of France, received Mr. Griffin in the Elysee Palace in Paris and told him that he was always glad to welcome an American to his country because Americans seemed to realize the vast debt that their country owed the great Republic of France. He was sure, he added, that France was the best liked of all the European countries in America, and that it would be impossible for anyone to travel from one end of America to the other and find a person who had any reason to be critical of his country, France.

Lebrun was told America felt that France should pay its war debt to the United States. Lebrun, who had been seated at his desk, bounded out of his chair and declared that France's war debt to America would never be paid, and said that the fact that France was not paying her war debt was all the fault of former President Hoover. He pounded the desk and stated that in 1931 Mr. Hoover, in order to prevent a collapse in Germany—and that was the last year, according to my recollection, in which England made any payment upon the debt—had asked the Allies to grant Germany a moratorium for 1 year on reparations payments, and had agreed that if they would do so the United States would grant them a moratorium on their war-debt payments. President Lebrun declared:

Surely, the United States wouldn't expect us to continue payments on our war debt if we in turn couldn't collect from Germany.

Mr. President, as you know and as we all know, there is a vast difference and distinction between debts of that sort from Germany and the war debts which the Allies contracted with the United States. One is liquidation of damages. The war debts due to the United States represent cash actually loaned by the taxpayers of the United States of America, who are bearing the burden of the payments which are now due.

Mr. LUNDEEN. Mr. President, will the Senator yield for a brief statement?

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. I should like to have the RECORD show at that point the position of Andrew Jackson in regard to the collection of the French war debt of 1800, resulting from an undeclared war which we fought with France at that time. I had the privilege of addressing the Senate two or three times on that subject. That is one of the greatest state papers ever written in the messages and papers of American Presidents.

Instead of holding so many banquets in honor of Andrew Jackson and then failing to follow his doctrines and policies, I wish that at these banquets some of his state papers would be read, and that after the banquet was over we would see the administration follow the policies that Andrew Jackson laid down.

Mr. REYNOLDS. In reference to the paper which has just been mentioned by the Senator, I should be very grateful to the Senator if he would be good enough to bring about the insertion in the RECORD of that particular document, in order that the American people may know the action which Andrew Jackson threatened to take at the time France would not pay.

Mr. LUNDEEN. With the Senator's permission and the Senate's permission, I shall be very glad to do so.

Mr. REYNOLDS. I thank the Senator.

The PRESIDING OFFICER. Without objection, that order will be made.

The matter referred to is as follows:

[From the Congressional Record of June 9, 1933, p. 5511]

ANDREW JACKSON, AMERICAN, AND THE FRENCH DEBT—FAILURE OF FRANCE TO PAY AMERICA INSTALLMENTS DUE ON WORLD WAR AND POST-WORLD WAR DEBTS RECALLS STERN, SUCCESSFUL MEASURES TAKEN BY "HICKORY"

Mr. LUNDEEN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Without objection the gentleman is recognized for 1 minute.

There was no objection.

Mr. LUNDEEN. Mr. Speaker, there has been a great deal of discussion about how to handle our foreign debts—the French debts and other debts. I ask unanimous consent to revise and extend my remarks to show the wonderful statesmanlike manner in which Andrew Jackson, a real fighting American and a great Democrat, handled a similar situation in his time. [Applause.]

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

There was no objection.

Mr. LUNDEEN. Mr. Speaker, before the years 1800–1817 a series of unprovoked aggressions upon our commerce was authorized and sanctioned by the Government of France, most of which occurred during the time that Napoleon was conducting his many wars, and particularly his wars against England. There is a striking parallel between the aggressions on our commerce at that time and the aggressions committed on our commerce by the contending parties in 1914, 1915, 1916, and 1917, during the World War; the only difference being a matter of degree, and the fact that lives were lost by reason of the aggressions during this last war.

Our Government during this terrific struggle between the Government of France, headed by Napoleon, and the other European countries, took the attitude that any damage to our commerce or injury that we received by reason of said war could be adjusted after the war was over. As a result, at the conclusion of these wars our Government insisted that the French Government pay for these wrongs perpetrated upon our commerce; and after considerable negotiations a treaty between our Government and the French Government was concluded and signed, on the 4th day of July 1831, by which it was stipulated and set forth as stated in President Jackson's message to Congress, December 1, 1834, that—

"The French Government, in order to liberate itself from all reclamations preferred against it by citizens of the United States for unlawful seizures, captures, sequestrations, confiscations, or destruction of their vessels, cargoes, or other property, engages to pay a sum of 25,000,000 francs to the United States, who shall distribute it among those entitled, in the manner and according to the rules it shall determine."

According to this treaty the French Government was to pay this 25,000,000 francs in six annual installments of 4,166,666 francs and 66 centimes each—

"The first installment to be paid at the expiration of 1 year next following the exchange of the ratification of this convention, and the others at successive intervals of a year, one after another, till the whole shall be paid. To the amount of each of the said installments shall be added interest at 4 percent thereupon * * *."

This treaty was duly ratified by both parties, and the ratification was exchanged at the city of Washington on February 2, 1832.

Jackson in his message goes on to say:

"No legislative provision has been made by France for the execution of this treaty, either as it respects the indemnity to be paid or the commercial benefits to be secured to the United States. * * * Advice of the exchange of ratifications reached Paris prior to April 8, 1832. The French Chambers were then sitting, and continued in session until the 21st of that month, and although one installment of the indemnity was payable on February 2, 1833, 1 year after the exchange of ratifications, no application was made to the Chambers for the required appropriation; and in consequence of no appropriation having then been made, the draft of the United States Government for that installment was dishonored by the Minister of France, and the United States thereby involved in much controversy.

"The next session of the Chambers commenced on November 19, 1832, and continued until April 25, 1833. Notwithstanding the omission to pay the first installment had been the subject of earnest remonstrance on our part, the treaty with the United States and a bill making the necessary appropriations to execute it were not laid before the Chamber of Deputies until April 6, nearly 5 months after its meeting, and only 19 days before the close of the session. The bill was read and referred to a committee, but there was no further action upon it.

"The next session of the Chambers commenced on April 26, 1833, and continued until June 26 following. A new bill was introduced on June 11, but nothing important was done in relation to it during the session.

"In the month of April 1834, nearly 3 years after the signature of the treaty, the final action of the French Chambers upon the bill to carry the treaty into effect was obtained, and resulted in a refusal of the necessary appropriations. * * *

"The refusal to vote the appropriation, the news of which was received from our Minister in Paris about the 15th day of May last (1834), might have been considered the final determination of the French Government not to execute the stipulations of the treaty, and would have justified an immediate communication of the facts to Congress, with a recommendation of such ultimate measures as the interest and honor of the United States might seem to require. But with the news of the refusal of the Chambers to make the appropriation were conveyed the regrets of the King and a declaration that a national vessel should be forthwith sent out with instructions to the French Minister to give the most ample explanations of the past and the strongest assurances for the future. After a long passage the promised dispatch vessel arrived. The pledges given by the French Minister upon receipt of his instructions were that as soon after the election of the new members as the charter would permit the legislative chambers of France should be called together and the proposition for an appropriation laid before them; that all the constitutional powers of the King and his cabinet should be exerted to accomplish the object; and that the result should be made known early enough to be communicated to Congress at the commencement of the present session."

The French Government of 1834 had the decency to apologize for its failure to pay an obligation.

Andrew Jackson, relying upon these pledges, did not communicate the above facts to Congress, relying, as he did, upon the assurances of the French Government. In this message of December 1, 1834, Andrew Jackson goes on to say:

"I regret to say that the pledges made through the Minister of France have not been redeemed. The new Chambers met on July 31 last, and although the subject of fulfilling treaties was alluded to in the speech from the throne, no attempt was made by the King or his cabinet to procure an appropriation to carry it into execution."

Andrew Jackson then makes this emphatic assertion:

"The idea of acquiescing to the refusal to execute the treaty will not, I am confident, be for a moment entertained by any branch of this Government, and further negotiation upon the subject is equally out of question."

And then Andrew Jackson goes on to say:

"Our institutions are essentially pacific. Peace and friendly intercourse with all nations are as much the desire of our Government as they are the interest of our people. But these objects are not to be permanently secured by surrendering the rights of our citizens or permitting solemn treaties for their indemnity, in cases of flagrant wrong, to be abrogated or set aside."

Andrew Jackson was not a man who indulged in fine speech, but when he was through speaking no one could doubt the meaning of his words. For example, he goes on to say:

"There is but one point in the controversy, and upon that the whole civilized world must pronounce France to be in the wrong. We insist that she shall pay us a sum of money which she has acknowledged to be due, and of the justice of this demand there can be but one opinion among mankind."

And a few sentences later in his message he said:

"It is my conviction that the United States ought to insist on a prompt execution of the treaty, and in case it be refused or longer delayed, take redress into their own hands. After the delay on the part of France of a quarter of a century in acknowledging these claims by treaty, it is not to be tolerated that another quarter of a century is to be wasted in negotiating about the payment. The laws of nations provide a remedy for such occasions. It is a well-settled principle of the International Code that where one nation owes another a liquidated debt which it refuses or neglects to pay the aggrieved party may seize on the property belonging to the other, its citizens, or subjects sufficient to pay the debt without giving just cause of war. This remedy has been repeatedly resorted to and recently by France herself toward Portugal, under circumstances less unquestionable."

And, then, listen to the American attitude of a real American when he says:

"Since France, in violation of the pledges given through her Minister here, has delayed her final action so long that her decision will not, probably, be known in time to be communicated to this Congress, I recommend that a law be passed authorizing reprisals upon French property in case provision shall not be made for the payment of the debt at the approaching session of the French Chambers. Such a measure ought not to be considered by France as a menace. Her pride and power are too well known to expect anything from her fears and preclude the necessity of a declaration that nothing partaking of the character of intimidation is intended by us. She ought to look upon it as the evidence only of an inflexible determination on the part of the United States to insist on their rights. That Government by doing only what it has itself acknowledged to be just will be able to spare the United States the necessity of taking redress into their own hands and save the property of French citizens from that seizure and sequestration which American citizens so long endured without retaliation or redress. If she should continue to refuse that act of acknowledged justice and, in violation of the law of nations, make reprisals on our part the occasion of hostilities against the United States, she would but add violence to injustice, and could not fail to expose herself to the just censure of civilized nations and to the retributive judgments of Heaven.

"Collision with France is the more to be regretted on account of the position she occupies in Europe in relation to liberal institutions, but in maintaining our national rights and honor all governments are alike to us."

The result of this message to Congress was the cause of great excitement in France, and the French Government, instead of acknowledging that they were in the wrong and offering to make amends to pay the debt which they had solemnly declared to be due under the treaty, dispatched war fleets to the coasts of the country, and bills were introduced in the French Chambers for increased military activity, looking to war with the United States. In other words, France was on the point of going to war with the United States over 25,000,000 francs rather than pay her honest and acknowledged obligation. However, we had in the White House a man who not only was a real American but one who could not be frightened even in the early days of this Republic by the power and majesty of the French Government.

Without going into further details of this controversy, the firm American attitude of Andrew Jackson resulted in the full payment by the French Government of this obligation within a very short time, and without any war, and the net result was a greater respect for the American Republic on the part of the French Government than they had ever entertained before. It might also be added that during the Jackson administration the American Government had money coming from Denmark, from Spain, from the Two Sicilies, and that Jackson in each and every case insisted on the prompt payment of these obligations; and when he left the Presidency, every foreign debt due the United States had been paid in full with the exception of Portugal's, which was paid in 1851.

It might also be added that during the Revolutionary War France loaned the United States $8,000,000, and when the treaty of peace was signed in Paris, September 3, 1783, the French demand for a payment of this debt reached the United States before news of the signing of the treaty of peace reached our Government. Our American forefathers did not in reply plead poverty, did not shout to high heaven that they had just emerged from a 7-year war in defense of human liberty, and ask for "funding" of the debt on ability to pay. They paid in full and with interest.

France must be taught the lesson in 1933 that a debtor who refuses to pay should be treated accordingly; that we Americans refuse to assume any more of her financial obligations to enable her to strut before the world the most militaristic nation on earth, spending over $500,000,000 a year on armaments, while she has the second largest gold reserve in the world. She must be taught that breaking treaties and solemn obligations is just as dishonorable when perpetrated by France as when indulged in by any other nation; that dishonor is dishonor; that repudiation is repudiation. She must be taught that we have too high a regard for France herself to permit her in such a high-handed manner to flaunt the solemn obligation of her Government; and, lastly, she must be taught that we still believe what Jackson so forcibly said, that "in maintaining our national rights and honor all governments are alike to us." [Applause.]

Mr. Speaker, ladies and gentlemen of the House, let me quote again from Jackson's fourth annual message. Speaking of keeping out of the quarrels of Europe, he said:

"Nor have we less reason to felicitate ourselves on the position of our political than of our commercial concerns. They remain in the state in which they were when I last addressed you—a state of prosperity and peace, the effect of a wise attention to the parting advice of the revered Father of his Country on this subject, condensed into a maxim for the use of posterity by one of his most distinguished successors—to cultivate free commerce and honest friendship with all nations, but to make entangling alliances with none. A strict adherence to this policy has kept us aloof from the perplexing questions that now agitate the European world and have more than once deluged those countries with blood. Should those scenes unfortunately recur, the parties to the contest may count on a faithful performance of the duties incumbent on us as a neutral nation, and our own citizens may equally rely on the firm assertion of their neutral rights."

Andrew Jackson's two terms as President of the United States covered the period from March 4, 1829, to March 4, 1837, and Europe, always on the brink of war, was in a dangerous frame of mind then, as now.

Having followed in the footsteps of the Washington-Jefferson policy, Andrew Jackson was able to say in his fifth annual message, December 3, 1833:

"A large balance will remain in the Treasury after satisfying all the appropriations chargeable on the revenue for the present year."

Jackson, in his sixth annual message, declared the country "free from public debt, at peace with the world."

Mr. REYNOLDS. Mr. President, France will not pay us, she says, until she collects from Germany; but France has loaned billions of francs to Czechoslovakia, Poland, Hungary, Greece, Yugoslavia, Russia, and many other European countries. The truth about the matter is, I think, that France has loaned to Poland more money than has been loaned to Poland by any other country in the world; and France has loaned great sums to Yugoslavia, because the French were expecting to experience the present difficulty with Germany; and France loaned these countries money for fortifications and for arms. If this money had been applied on the American war debt, it would have made a fine impression in the United States, as I related in the outset was stated to me by a taxi driver a few days ago when I was motoring up to the Capitol.

Mr. Griffin told me that as he was leaving President Lebrun remarked:

Of course we are doing a great deal for Americans, and I know from their expressions of appreciation that they feel indebted to us for the way we honor them.

Lord Robert Cecil, president of the League of Nations Union and Minister of Blockade in the British Cabinet during the World War, told Mr. Griffin during a long talk he had with him in Paris that he felt absolutely certain of American cooperation with England in the next European war. When the war debts were brought up, Lord Cecil said that in his opinion they would never be paid. Said he:

Your Government has the legal right to demand payment of the war debt you claim England owes the United States, but you certainly haven't any moral right to the money. Furthermore, if England paid the United States, it would upset international exchange.

Do you think—

Inquired by Mr. Griffin—

that you could use your influence toward having the British Government offer to give us Bermuda, British Honduras, and other territory it controls, including naval bases in the West Indies, to apply on the war debt?

That subject was discussed here a few moments ago by a number of Senators.

Lord Cecil said that he would be opposed to England transferring any of that territory to America, because there are British subjects living in those possessions, and he thought it would be a mistake not only for England but for any country to transfer to another government any territory where it had subjects or citizens. Asked why England took the German colonies after the World War, Lord Cecil replied that that was different, because the Germans were a conquered people.

Talk about honesty, good faith, gratitude, and international peace founded on international justice and good will! As a matter of self-respect, self-interest, and plain common sense, it is surely unnecessary to stress the imperative need of Uncle Sam making those trans-Atlantic superracketeers liquidate their indebtedness and their obligations.

I have told you, Mr. President, about the taxi driver, and the fact that he wants the war debts collected. Besides what he said, which sums up what a number of persons have told me, I have received literally hundreds of letters from over the Nation in the past few weeks, totaling thousands altogether; and I should like to have every American citizen write me his or her opinion about the war debts, and to write every single Member of Congress about the war debts, because I want the people's representatives in Congress to be reminded of what they already know, that the American people are vitally interested in collecting the debts from Europe, in order that that money may be utilized here at home at a time when we need it. Nearly every letter coming in mentions the war debts, Mr. President. The American people are vitally interested in them, and they are somewhat bewildered by the fact that we do not try to collect them. They are honest, God-fearing folks who pay their own bills and know that when they borrow money they have to pay it back. This is the American system. They cannot understand this European system of borrowing from a neighbor's cash box and then thumbing your nose when it comes time to pay back. Every farmer knows that if he mortgages his farm, either the bank or the Government will grab it if he does not pay off.

Look at what the Home Owners' Loan Corporation and the Reconstruction Finance Corporation do when a debtor gets in arrears. They crack down, just like a business house. Is there any logical reason why we should not crack down on our debtors across the seas?

Is it not our obligation and duty as Senators of the United States to look out for America and Americans? Is it not our responsibility to look after our country and our citizens

first? I think it is, and because I think so, I cannot understand this talk about levying new taxes on more of our own people and standing silently by while our foreign debtors default every June 15 and December 15. I cannot understand all this talk about increasing the limit of debt we can pile up in bonds, and not making an effort to collect the $13,000,000,000 the other nations owe us, and using that money to pay off our Government bonds.

I am convinced that if these war debts were to be collected, a lot of our economic ailments could be cured almost instantly. For example, we hear cried on every hand that the 3,000,000 or so little-business men cannot get working capital because the banks are all stuffed up with Federal bonds. Those bonds earn money while they are lying in the vaults. That is the interest burden the American taxpayers have to pay in our National Budget. If we collected the war debts and paid off those bonds, the banks would have to put that money to work. Currency loafing in a vault does not produce more money. It would be available for the banks to lend to business; to make jobs for the millions of unemployed. Those jobs would do away with W. P. A. and these other necessary relief expenditures. Payment of the war debts would pay the costs of W. P. A. for 10 years.

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

Mr. REYNOLDS. I yield.

Mr. LUNDEEN. The trouble is, is it not, that for 25 years or thereabouts we have been placing Europe first and America last, and is it not about time that we say "America first and forever"?

Mr. REYNOLDS. I quite agree with the Senator. I think we should turn our eyes homeward. I think we should consider America and its citizens first, and the taxpayers of America are demanding today that we do something about that. We have to have some help. We have to levy taxes so long as conditions remain as they are. We are doing all we can. It is nobody's fault in particular; it is just one of the things that happens, but why cannot we have some help for the taxpayers of the country?

Our Budget could be cut pretty sharply. We spend over a billion dollars a year now in interest charges on the national debt. If we did not have that interest to pay, we could cut that item out of the Budget and we could cut it out of the tax bill we give millions of American citizens and businesses every year. We could also cut out of the tax bill the cost of relief if our men and women had jobs. We tax our people to pay interest on bonds sold to get money to lend Europe—and cannot collect from Europe even the interest.

Our citizens have to pay their tax bill—their debt to this Government—or they will have Uncle Sam's collectors of the Bureau of Internal Revenue knocking on the front door. Let us see if we cannot get Europe to pay its bill to the United States—and send our collector over there to rap on the door. That looks like the only way we will ever get it. We cannot be Santa Claus to the world, because the bag of gifts ultimately will empty. America cannot carry the world forever without collapsing. As rich as we are with God's gifts in resources, the fountain from which all these blessings flow will dry up.

In conclusion, Mr. President, I hope sincerely that some serious consideration may be given to the resolution mentioned by me in reference to the appointment of Mr. Griffin as special war-debt envoy to Europe. Let us send someone to Europe to knock on the door of the debtor nations every hour of the day, if necessary, at least to remind them that we have not forgotten about the debt and that 130,000,000 people in this country who are bearing the burden are expecting relief from those so-called friends across the blue waters of the Atlantic.

INVESTIGATION OF PRODUCTION, TRANSPORTATION, AND MARKETING OF WOOL

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate, I report back favorably without amendment Senate resolution 106 and ask unanimous consent for its present consideration.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

Mr. AUSTIN. Mr. President, will not the Senator from South Carolina explain the resolution?

Mr. BYRNES. A committee was appointed by the Senate 2 years ago to investigate the wool situation. The resolution now reported carries an authorization of $3,000 to complete the investigation.

Mr. AUSTIN. I have no objection.

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

The resolution (S. Res. 106) submitted by Mr. ADAMS, March 17, 1939, was agreed to, as follows:

Resolved, That the special committee authorized by Senate Resolution 160, Seventy-fourth Congress, agreed to July 10, 1935, to investigate the production, transportation, and marketing of wool hereby is authorized to expend from the contingent fund of the Senate $3,000 in addition to the amounts heretofore authorized for the same purpose.

STUDY OF THE TELEGRAPH INDUSTRY

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate I report back favorably with an amendment Senate Resolution 95, and I ask for its immediate consideration.

There being no objection, the Senate proceeded to consider the resolution which had heretofore been reported from the Committee on Interstate Commerce with amendments.

The amendments of the Committee on Interstate Commerce were, on page 1, line 3, after the word "industry", to strike out "in the United States"; on page 2, line 2, after the name "Senate", to strike out "as soon as possible" and insert "not later than January 5, 1940"; and in line 6, after the word "industry", to insert "the national defense."

The amendments were agreed to.

The amendment of the Committee to Audit and Control the Contingent Expenses of the Senate to the amendment of the Committee on Interstate Commerce was, on page 2, line 19, after the word "exceed", to strike out "$25,000" and insert "$5,000."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. AUSTIN. Mr. President, I should like to have an explanation of the resolution.

Mr. BYRNES. Mr. President, this is a resolution reported favorably by the Committee on Interstate Commerce, of which the Senator from Montana [Mr. WHEELER] is chairman. It provides for an investigation recommended by that committee, an inquiry in connection with the proposed merger of telegraph companies. The statement made to me by the chairman of the committee is that they are proceeding with the investigation, and that the sum of $5,000 will be ample to cover the expenses.

Mr. AUSTIN. Does the resolution call for just $5,000?

Mr. BYRNES. Yes. As reported by the Committee on Interstate Commerce the resolution called for the appropriation of $25,000. I have the statement of the chairman of the committee that if the resolution is agreed to with an appropriation of $5,000, it will be satisfactory to him.

The PRESIDING OFFICER. The question is on agreeing to the resolution as amended.

The resolution as amended was agreed to, as follows:

Whereas the telegraph industry plays an important role in the economic life of the Nation and is an arm of the national defense; and

Whereas the telegraph industry is in a precarious financial and economic state and the corporations engaged in such industry are possibly contemplating a merger or consolidation which would result in the creation of a monopoly detrimental to the public, the industry, and labor: Therefore be it

Resolved, That the Committee on Interstate Commerce is authorized and directed to make a thorough and complete study of the telegraph industry, including the economic conditions of the telegraph carriers, their relation to corporations engaged in other forms of communications, and the tendencies toward consolidation and monopoly in such industry. The committee shall report to the Senate not later than January 5, 1940, the results of its study, together with its recommendations for the enactment of any remedial legislation it may deem necessary for the best interests of the public, the industry, the national defense, and labor.

For the purpose of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings; to sit and act at such times and places, either in the District of Columbia or elsewhere, during the sessions, recesses, and adjourned periods of the Senate in the Seventy-sixth Congress; to employ such experts and clerical, stenographic, and other assistants; to require, by subpena or otherwise, the attendance of such witnesses and the production and impounding of such books, papers, and documents; to administer such oaths; and to take such testimony and to make such expenditures as it deems advisable. The expenses of the committee, which shall not exceed $5,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

The preamble was agreed to.

INVESTIGATION OF ADMINISTRATION OF J. ROSS EAKIN AS SUPERINTENDENT OF GREAT SMOKY MOUNTAINS NATIONAL PARK

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate I report back favorably Senate Resolution 131, submitted by the senior Senator from Tennessee [Mr. McKELLAR], May 16, 1939. I ask unanimous consent for the immediate consideration of the resolution.

Mr. AUSTIN. Mr. President, may we have an explanation?

Mr. BYRNES. Mr. President, this resolution was first referred to the Committee on Public Lands and Surveys. The committee struck out all of the resolution with the exception of the last part, which provides for the conduct of the inquiry and authorizes an expenditure not to exceed $5,000.

Mr. AUSTIN. I suggest that the resolution go over, so that we may have an opportunity to examine it.

Mr. BYRNES. I have submitted it to the minority members of the committee, and they have no objection; but I have no objection to giving the Senate an opportunity to look into it.

Mr. McKELLAR. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. McKELLAR. What will become of the resolution?

The PRESIDING OFFICER. It will be placed on the calendar.

Mr. McKELLAR. I ask the Senator from Vermont if he will not examine the resolution promptly, because I may want to bring it up later tomorrow?

Mr. AUSTIN. I shall try to do so.

The PRESIDING OFFICER. The resolution will go over.

INTERLOCKING BANK DIRECTORATES

Mr. O'MAHONEY. Mr. President, during the call of the calendar last week Senate bill 2150 was reached, and I asked that it go over in order that I might have an opportunity to look into it. The bill was about to be passed, as I recall. The Senator from Vermont at that time indicated that the bill was satisfactory to him. It was introduced by the Senator from Virginia [Mr. GLASS], and has the approval of the Committee on Banking and Currency. I have made my investigation; I withdraw my objection; and I now ask unanimous consent that the bill be considered at this time.

There being no objection, the Senate proceeded to consider the bill (S. 2150) to amend section 8 of the act entitled "An act to supplement laws against unlawful restraints and monopolies, and for other purposes," particularly with reference to interlocking bank directorates, known as the Clayton Act, which was read as follows:

Be it enacted, etc., That section 8 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes" (38 Stat. 730), approved October 15, 1914, as amended, is further amended by substituting the words "February 1, 1944" for the words "February 1, 1939" in the second paragraph thereof.

Mr. AUSTIN. Mr. President, I have no particular interest in the passage of the bill. I wish simply to have it made clear that I have no objection.

Mr. O'MAHONEY. I understand that the Senator has no objection.

The PRESIDING OFFICER. 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.

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 consider executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER (Mr. LEE in the chair) laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORT OF A COMMITTEE DURING RECESS

Under authority of the order of the 15th instant,

Mr. SHEPPARD, on June 16, 1939, from the Committee on Military Affairs, reported favorably the nominations of several officers for appointment, by transfer, in the Regular Army.

EXECUTIVE REPORTS OF COMMITTEES

Mr. ADAMS, from the Committee on Public Lands and Surveys, reported favorably the nomination of Leo F. Sanchez, of New Mexico, to be register of the land office at Santa Fe, N. Mex. (Reappointment.)

Mr. ASHURST, from the Committee on the Judiciary, reported adversely the nomination of William S. Boyle, of Nevada, to be United States attorney for the district of Nevada.

Mr. CONNALLY, from the Committee on the Judiciary, reported favorably the nomination of Oetje John Rogge, of Illinois, to be Assistant Attorney General of the United States, vice Brien McMahon, resigned.

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

The PRESIDING OFFICER. The reports will be placed on the Executive Calendar.

If there be no further reports of committees, the clerk will proceed to state the nominations on the calendar.

DIPLOMATIC—FOREIGN SERVICE

The legislative clerk read the nomination of Claude G. Bowers, of New York, to be Ambassador Extraordinary and Plenipotentiary to Chile.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Edwin C. Wilson, of Florida, to be Envoy Extraordinary and Minister Plenipotentiary to Uruguay.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Douglas Jenkins, of South Carolina, to be Envoy Extraordinary and Minister Plenipotentiary to Bolivia.

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, the nominations of postmasters are confirmed en bloc.

IN THE ARMY

The legislative clerk proceeded to read sundry nominations in the Army.

Mr. BARKLEY. I ask that the nominations in the Army be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations in the Army are confirmed en bloc.

That completes 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 6 o'clock and 2 minutes p. m.) the Senate took a recess until tomorrow, Tuesday, June 20, 1939, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate June 19 (legislative day, June 15), 1939

UNITED STATES DISTRICT JUDGE

Elmer D. Davies, of Tennessee, to be United States District Judge for the Middle District of Tennessee, vice Hon. John J. Gore, deceased.

APPOINTMENTS IN THE REGULAR ARMY

JUDGE ADVOCATE GENERAL'S DEPARTMENT

To be captain with rank from date of appointment

Capt. Joel Burlison Olmsted, Judge Advocate General's Department Reserve.

DENTAL CORPS

To be first lieutenants with rank from date of appointment

First Lt. Francis Emmett Cummings, Dental Corps Reserve.
First Lt. Walter Nicholls Graham, Dental Corps Reserve.
First Lt. Calvin George Hagerman, Dental Corps Reserve.
First Lt. Hal David Oakley, Jr., Dental Corps Reserve.
First Lt. Elbert LaFayette Fenske, Dental Corps Reserve.
First Lt. Richard Jackmond Burch, Dental Corps Reserve.
First Lt. Reginald James Fallis, Dental Corps Reserve.
First Lt. John Peter Christensen, Jr., Dental Corps Reserve.
First Lt. Charles Hightower Traynham, Dental Corps Reserve.
First Lt. Donald Louis Cook, Dental Corps Reserve.
First Lt. Scott Darrow Linn, Dental Corps Reserve.
First Lt. Merle Wayne Ogle, Dental Corps Reserve.

APPOINTMENTS BY TRANSFER IN THE REGULAR ARMY

TO QUARTERMASTER CORPS

Maj. Benjamin Witwer Pelton, Infantry, with rank from July 1, 1937.
First Lt. Samuel Edwin Beggs, Jr., Infantry, with rank from June 12, 1939.

CONFIRMATIONS

Executive nominations confirmed by the Senate June 19 (legislative day of June 15), 1939

AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY

Claude G. Bowers to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Chile.

ENVOYS EXTRAORDINARY AND MINISTERS PLENIPOTENTIARY

Edwin C. Wilson to be Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Uruguay.
Douglas Jenkins to be Envoy Extraordinary and Minister Plenipotentiary of the United States of America to Bolivia.

APPOINTMENT, BY TRANSFER, IN THE REGULAR ARMY

Capt. Lewis Eugene Snell to Quartermaster Corps.

PROMOTIONS IN THE REGULAR ARMY

Vincent Nicolas Diaz to be lieutenant colonel, Infantry.
Joseph Henry Burgheim to be major, Quartermaster Corps.

POSTMASTERS

ARIZONA

Jessie I. Cooper, Chandler.
J. Albert Brown, Saint Johns.
Neal H. Phelps, Springerville.

ARKANSAS

Horace L. Lay, Amity.
Robert W. Moore, Black Rock.
Thomas S. Reynolds, Bradley.
Dewey Carter, Elkins.
Olice F. Huson, Heber Springs.
Frances E. Crouch, Lexa.
Leo D. Perdue, Louann.
Rupert W. Barger, Mansfield.
Romulus Owen Tomlinson, Melbourne.
Mark B. Craig, Russellville.
Horatio J. Humphries, Salem.
Mildred B. Cooper, West Memphis.

CALIFORNIA

Margaret Bernice Fleming, Alleghany.
Raymond E. Ware, Fort Bragg.
Richard S. Gregory, Fullerton.
Magdalena Seawell, Healdsburg.
Arthur N. Renshaw, Hilmar.
William F. Pritchard, Ivanhoe.
Miles E. Goble, Kingsburg.
Asa E. Bishop, Mendocino.
John J. Freeman, North San Diego.
James E. Byrne, Oroville.
Ruth O. Evans, Randsburg.
June E. James, Robbins.
Donald M. Stewart, San Diego.
Charles B. Pearson, Stockton.
Olive L. Edman, Stratford.
Nathan Levy, Visalia.

COLORADO

Earl E. Graham, Canon City.
Elmer B. McCrone, Creede.
Arthur D. Robb, Flagler.
Mollie E. Arbuckle, Fruita.
Harold G. Hawkins, Grand Lake.
Lucia A. Wheatley, Grand Valley.
Charles L. Dunn, Johnstown.
Wilton T. Hutt, Norwood.

CONNECTICUT

John F. Connerty, Washington Depot.

FLORIDA

William L. Hoag, Davenport,
Walter B. Walters, Fort Myers.
Charles W. Peters, Fort Pierce.
George W. Shelton, Lake Alfred.
Major M. Stevenson, Pinellas Park.
Albert W. Kelso, Winter Haven.

GEORGIA

James Rufus Youmans, Adrian.
Thornwell Jacobs, Oglethorpe University.
Duncan E. Flanders, Swainsboro.
Maynard Mashburn, Tate.
William O. Wolfe, Uvalda.
Willie B. Persons, Warm Springs.

IDAHO

William Schlick, Burley.
Jessie L. Kelly, Winchester.

INDIANA

James R. McDonald, Brookville.
Helen B. Fultz, Crothersville.
Clyde F. Dreisbach, Fort Wayne.
Charles D. Manaugh, Hanover.
Edward L. Sacksteder, Leavenworth.
Orville R. Wells, Morgantown.
Henry H. Powell, Newburgh.
Benjamin F. Phipps, Pendleton.
Charles A. Boggs, Veedersburg.

IOWA

Joseph W. Weber, Alta Vista.
Mary Doris Carroll, Clear Lake.
Earl P. Patten, Danbury.
Edward H. Schnebel, Farnhamville.
Gertrude Posten, Gravity.
Frank J. A. Huber, Hawkeye.
James Lowell Carr, Lamont.
Richard A. Dunlevy, Lansing.

KANSAS

Laurence A. Daniels, Ellsworth.
Rachel E. Pierson, Isabel.
Joseph B. Riddle, Wichita.

MARYLAND

Guy K. Motter, Frederick.
William H. Condiff, Solomons.

NEBRASKA

Alfred O. Sick, Blair.
John A. Gibson, Mullen.

NEW JERSEY

Ananette L. Kroh, Brielle.
Joseph Corse, Jamesburg.
Joseph A. Boyle, Jr., Longport.
Whilmena A. Harvey, Oakhurst.
Luella Brown, Old Bridge.
Eleanor H. White, Plainsboro.

NEW MEXICO

Lena B. Sexton, Las Cruces.
Lillian E. Howard, Portales.

NEW YORK

George D. Burgess, Barker.
Mabel L. Cleveland, Bloomville.
Nicholas J. O'Prey, Buchanan.
George C. Gumaer, Cato.
Henry N. Prentice, Chenango Forks.
William J. Porr, Cochecton.
Fred A. Wagner, Delevan.
Peter J. Carpenter, Dobbs Ferry.
William L. Koch, Dunkirk.
Pauline L. Eschrich, East Norwich.
Michael J. Spillane, East Syracuse.
Arthur H. Flint, Eden.
Clarence F. Dilcher, Elba.
Francis D. Van Arman, Ellenburg Depot.
Michael J. O'Connor, Ellicottville.
Euphemia M. Fitter, Far Rockaway.
Joseph A. Mara, Floral Park.
Joseph A. Doyle, Flushing.
Erma S. Finch, Franklin.
William J. Hartnett, Fulton.
Edward F. Higgins, Great Neck.
Matilda L. Probeck, Greenlawn.
Clifford W. Sampson, Harpursville.
McIntyre Fraser, Johnstown.
Leon B. Wright, Lyndonville.
Clarence H. Root, Mannsville.
Charles L. Kelley, Marathon.
Bernard Daley, Mount Kisco.
Eugene S. Fiske, Mount Vernon.
Mark M. Rice, Natural Bridge.
James V. Camely, New Hamburg.
Wilfred D. Cheney, Newton Falls.
William E. Merrill, Nichols.
Jacob Fiddle, Parksville.
Arthur F. Hawkins, Patchogue.
James Herbert Hutchinson, Pittsford.
James J. Moroney, Pleasantville.
Frank J. Leedings, Ravena.
Walter J. Greene, Sayville.
William Winne, Selkirk.
Franklin L. Sweet, Smyrna.
John Lester Kincaid, Spencerport.
Mahlon M. Bomstad, Springwater.
Charles Q. Archdeacon, Stony Brook.
Julia H. Roche, Unionville.
Catherine M. Mills, Wantagh.
Napoleon Ponessa, West Haverstraw.
James W. Hodge, Wingdale.
George F. Powers, Jr., Wyoming.

OHIO

Kathryn Schott, Brewster.
John J. Cawley, Painesville.

OKLAHOMA

Rosa B. Britton, Cyril.

RHODE ISLAND

James V. O'Connell, Washington.
Thomas J. Durand, West Warwick.

SOUTH DAKOTA

Lewis E. Smith, Alpena.
Fred C. Wetterberg, Arlington.
John D. Cannon, Fort Pierre.
Michael J. Matthews, Isabel.
Harry A. Beavers, Jefferson.
Clare Leamy, Letcher.
Mabel M. Fitzgerald, Plankinton.
James R. Crowe, Yankton.

TEXAS

Benjamin A. Borskey, Alvin.
Sam Hagin, Anna.
Aldred H. Clark, Bremond.
Sarah E. Burns, Center.
Ambrose J. Denman, Channing.
James A. Hilburn, Childress.
Bertram D. Wren, Clarksville.
Carl W. Appling, Claude.
Fillmore R. Anderson, Cross Plains.
Mary Y. Guyler, Crystal City.
Zettie Kelley, Diboll.
Mary B. Harper, Eagle Pass.
Marshal E. Kelley, Earth.
Fronie R. Allen, Emory.
Noel J. Reynolds, Ennis.
Noma N. Lokey, Farwell.
Marcellus P. Adams, Lampasas.
Helen L. Hall, League City.
Johnnie R. Back, McLean.
Alexander M. Bowie, San Benito.
Lily A. C. Tyree, Shafter.
Flake George, Shamrock.
Nena M. Iiams, Sugar Land.
Edgar H. McElroy, Waxahachie.
Balser B. Hefner, Weimar.
Faye Jessmyr Hood, Wortham.

UTAH

Brigham Willard Young, Draper.
Wayne K. Sheffield, Kaysville.
G. Leonard Larson, Sandy.

VIRGINIA

Rosa L. Williams, Bassetts.
John D. Webb, Disputanta.
Robert A. Smith, Gordonsville.
Mary Ann Nichols, Hamilton.
Annie R. Walker, Herndon.
Alvin D. Davis, Lorton.
Milton E. Gee, Meherrin.
Hollis H. Howard, Radford.
Thomas E. Frank, Warrenton.
Gipsie B. Cassell, Wytheville.

WASHINGTON

Andrew F. Farris, Cashmere.
Alfred K. Filson, Centralia.
Hubert S. Storms, Chewelah.
Harold W. Kreidel, Cle Elum.
Fred E. Olmstead, Grandview.
Frank H. Lincoln, Kennewick.
Moses S. Brinkerhoff, Okanogan.
Edwin Morris Starrett, Port Townsend.

WYOMING

Albert H. Linford, Afton.
Thomas P. Hill, Jr., Buffalo.
John G. Kelly, Hanna.
Robert B. Landfair, Jackson.
Percy D. Sims, Lovell.
James E. Smith, Riverton.

HOUSE OF REPRESENTATIVES

MONDAY, JUNE 19, 1939

The House met at 12 o'clock noon.

Rev. Edward G. Latch, pastor of the Chevy Chase Methodist Church, Chevy Chase, Md., offered the following prayer:

Almighty God, our Heavenly Father, Creator of the world and Sustainer of the human spirit, we bow in humble reverence before Thee. Upon us this day we invoke Thy blessing. As the leaders of a great nation, help us to lead our people in the way of truth, of goodness, and of righteousness.

Take from us all pride and all selfishness. Grant unto us the spirit of humility and service, the spirit of wisdom and courage, which can make us great and which alone can make us a great nation.

Make us equal to our tasks, just in our exercise of power, and generous in our relationships to one another.

Enable us, we pray Thee, to discharge our duties this day faithfully in the spirit of Jesus Christ our Lord. Amen.

The Journal of the proceedings of Friday, June 16, 1939, was read and approved.

HON. EDWARD T. TAYLOR

Mr. WOODRUM of Virginia. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

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

There was no objection.

Mr. WOODRUM of Virginia. Mr. Speaker, on the 19th day of June, 1858, 81 years ago today, in the county of Woodford, Ill., there came into this world a man who has come to be known and to be loved, perhaps, as no other man who has served here during my service of 16 years in this body. I refer to the distinguished gentleman from Colorado, Mr. EDWARD T. TAYLOR, the chairman of the Appropriations Committee. [Applause, the Members rising.] A law student of the University of Michigan, president of his class, elected to the State Senate of Colorado in 1896, where he served with distinction for 12 consecutive years, Mr. TAYLOR came to the Congress on March 4, 1909, and is completing 16 consecutive terms in the House of Representatives. He has run for office in 21 general elections and has never had opposition for the nomination; became a member of the Committee on Appropriations in the Sixty-seventh Congress in 1921.

Some philosopher said that we may grow older, but we do not, of necessity, have to grow old. I think this may be said of our beloved colleague. He has grown older, but not old, and how happy we are today upon his eighty-first birthday to see that he is still strong and vigorous, virile of mind and body; that his great heart beats for the country that he has so nobly served; and that he is still willing to give us the benefit of his long, fine, great public experience.

I am sure I express the sentiments of every Member of this body today when we extend him congratulations, along with the very earnest hope and prayer that there may be many other years of useful public service and of vigorous health and happiness. [Applause, the Members rising.]

Mr. TAYLOR of Colorado. Mr. Speaker and fellow Members of the House, I thank my colleague from Virginia [Mr. WOODRUM] for his most kind and generous tribute, and I sincerely appreciate the cordial expression of good will from all the Members.

As the father of the House in years, I am not only grateful to you for this tribute on my eighty-first birthday but I want to express my sincere appreciation to all the Members of the House on both sides of the aisle for being exceedingly considerate for many years past.

It is a marvelous privilege for all of us to live and be permitted to take a small part in the affairs of the greatest country in the world during the most important period of the entire history of the human race on this planet. The thought that is uppermost in my mind today is my profound gratitude to the people out in my Rocky Mountain home State, the people who have made possible my official career. While Colorado has turned many political somersaults during the past 50 years, my beloved Centennial State has loyally elected me every 1 of the 21 times I have run for office extending over a period of 55 years.

It is not only a pleasure but a very great honor to be a Member of this body, the greatest legislative body in the world, and I feel as grateful to the people of Colorado as anyone can for bestowing this honor upon me for so many years.

It is an old and cynical saying that the last vain and futile hope of man is to be remembered after passing away. Notwithstanding the antiquity of that expression, I do not subscribe to it. The sentiment in the human breast of hoping sometime in some way to do something worth being remembered is what stimulates the progress of the human race. I earnestly hope that each of you young people may live to celebrate your eighty-first birthday and receive as generous and heartfelt a greeting from your associates as I have received today.

My eighty-first birthday wish for all of you is that when you approach the end of the trail down the western slope of life you may each have the gratification of feeling that you have accomplished something that will richly deserve your being remembered for many years to come.

I most earnestly thank all of you for your exceedingly kind expressions of good will. [Applause, the Members rising.]

STATE, JUSTICE, JUDICIARY, AND COMMERCE DEPARTMENTS APPROPRIATIONS BILL, FISCAL YEAR 1940

Mr. THOMAS S. McMILLAN. Mr. Speaker, I ask unanimous consent that the committee may have until midnight tonight to file a conference report and statement on the bill (H. R. 6392) making appropriations for the Departments of State and Justice, and for the judiciary, and for the Department of Commerce, for the fiscal year ending June 30, 1940, and for other purposes.

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

There was no objection.

LEAVE OF ABSENCE

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to proceed for 30 seconds.

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

There was no objection.

Mr. LUDLOW. Mr. Speaker, Hon. J. W. Boehne, Sr., long an honored former Member of this House, father of our colleague from Indiana, Mr. JOHN W. BOEHNE, Jr., is desperately ill at his home in Evansville, Ind. I ask unanimous consent that indefinite leave of absence may be extended to the gentleman from Indiana in order that he may be at his father's bedside.

The SPEAKER. Is there objection?

There was no objection.

ACCEPTANCE OF STATUE OF WILL ROGERS

Mr. DISNEY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. DISNEY. Mr. Speaker, the Senate has passed Senate Concurrent Resolution No. 21, a resolution accepting the statue of Will Rogers, now in Statuary Hall. It involves no expense to the Government. I ask unanimous consent for the present consideration of that resolution, which I send to the desk.

The SPEAKER. The gentleman from Oklahoma asks unanimous consent for the present consideration of Senate Concurrent Resolution 21, which the Clerk will report.

The Clerk read as follows:

Senate Concurrent Resolution 21

Resolved by the Senate (the House of Representatives concurring), That the statue of Will Rogers, presented by the State of Oklahoma, now in the Capitol Building, is accepted in the name of the United States, and that the thanks of Congress be tendered to the State for the contribution of the statue of one of its most eminent citizens, illustrious for his distinguished civic services.

Resolved, That a copy of these resolutions, suitably engrossed and duly authenticated, be transmitted to the Governor of Oklahoma.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on agreeing to the concurrent resolution.

The concurrent resolution was agreed to, and a motion to reconsider laid on the table.

PER TON COST OF MAINTENANCE BY RAIL AND BY WATERWAYS

Mr. MANSFIELD. Mr. Speaker, I ask unanimous consent to address the House.

The SPEAKER. Is there objection?

There was no objection.

[Mr. MANSFIELD addressed the House. His remarks appear in the Appendix.]

AMENDMENTS TO T. V. A. ACT

Mr. MAY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. MAY. Mr. Speaker, a good many statements have been made in the last few days in the press and otherwise with respect to the effect of the House amendment to Senate bill 1796, relating to the Tennessee Valley Authority. I have prepared what I regard as a fair explanation and analysis of the amendment and ask unanimous consent to include this analysis in my remarks and that it be printed in regular type in the RECORD at this point.

The SPEAKER. Is there objection?

Mr. RAYBURN. Mr. Speaker, I reserve the right to object. The other day an announcement was made that matters concerning things not under consideration in the House at the time must go into the Appendix of the RECORD.

Mr. MAY. The matter is in conference at this time, but on the objection of the gentleman from Texas, our floor leader, Mr. Speaker, I ask unanimous consent that it may be printed in the Appendix of the RECORD.

The SPEAKER. Is there objection?

There was no objection.

EXTENSION OF REMARKS

Mr. SMITH of Virginia. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein a radio address recently delivered by my colleague the gentleman from Virginia [Mr. ROBERTSON].

The SPEAKER. Is there objection?

There was no objection.

FOOD, DRUG, AND COSMETIC ACT—CONFERENCE REPORT

Mr. LEA. Mr. Speaker, I call up the conference report upon the bill H. R. 5762, to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. The gentleman from California calls up a conference report upon the bill H. R. 5762, which the Clerk will report.

The Clerk reported the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from California that the statement be read in lieu of the report?

Mr. RICH. Mr. Speaker, I reserve the right to object, though I shall not in the end object to this unanimous-consent request. However, are we, for the remainder of the term that we may be in session, going to permit gentlemen to call up these matters by unanimous consent without giving the membership of the House at least 24 hours' notice? If the majority leader does not want anyone to insert anything in the RECORD at this point in the proceedings, such as was requested by the gentleman from Kentucky [Mr. MAY], a matter vital to the remarks that he made, why should we permit to come up on the floor of the House without a moment's notice legislation we do not know anything about, and about whose coming up we have not been advised? If so, I think we do a wrong thing, and I ask the majority leader right now to make a request of the House that a Member who wants to bring up a matter like this should give us 24 hours' notice at least.

Mr. RAYBURN. Mr. Speaker, the gentleman from Pennsylvania has been a Member of the House long enough to know that when we approach the end of a session, and matters have been sent to conference, no one can tell when the conferees are going to agree, and if we gave 24 hours' notice on every conference report, the House would probably adjourn sine die before some of them were adopted.

Mr. RICH. Is the gentleman going to request immediate consideration of bills in which each Member is interested?

Mr. RAYBURN. I am when the majority chairman of the committee has consulted with and has an agreement with the ranking minority member.

Mr. RICH. Is the gentleman then going to expect the majority and minority leaders to be responsible for all legislation that we pass?

Mr. RAYBURN. Not singly. There are 433 other Members of the House.

Mr. RICH. It does not seem to me that that is good practice.

Mr. RAYBURN. It has always been done, and it is the only way in which it can be done in the closing hours of a session.

Mr. RICH. Is the gentleman going to permit such things to come in without notification? I think the Members ought to have at least 24 hours' notice.

Mr. RAYBURN. The program of the House is available to each Member every Saturday morning, if he desires to read it.

But, of course, these matters are emergent and are agreed upon by the conferees and must come in before the sine die adjournment.

The regular order was demanded.

Mr. RICH. Does the gentleman know when we are going to have this sine die adjournment?

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. LEA]?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5762) entitled "An Act to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act", having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate numbered 2 and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: In lieu of subdivision (b) of the engrossed bill (beginning on line 9 of page 1, and extending down to and including line 16 on page 2) and the Senate amendment numbered 1, insert the following:

"(b) The Secretary of Agriculture shall promulgate regulations further postponing to July 1, 1940 the effective date of the provisions of sections 403 (e) (1); 403 (g), (h), (i), (j), and (k); 502 (b), (d), (e), (f), (g), and (h); and 602 (b) of such Act with respect to lithographed labeling which was manufactured prior to February 1, 1939, and to containers bearing labeling which, prior to February 1, 1939, was lithographed, etched, stamped, pressed, printed, fused or blown on or in such containers, where compliance with such provisions would be unduly burdensome by reason of causing the loss of valuable stocks of such labeling or containers, and where such postponement would not prevent the public interest being adequately served: *Provided*, That in no case shall such regulations apply to labeling which would not have complied with the requirements of the Food and Drug Act on June 30, 1906, as amended."

And the Senate agree to the same.

CLARENCE F. LEA,
VIRGIL CHAPMAN,
CARL E. MAPES,
Managers on the part of the House.

BENNETT CHAMP CLARK,
CLAUDE PEPPER,
CHAS. L. MCNARY,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5762) providing for the postponement of

the operation of certain labeling provisions of the Federal Food, Drug, and Cosmetic Act submit the following written statement explaining the effect of the action agreed on by the conference committee and submitted in the accompanying conference report:

Subsection (a) of section 1 of the bill postpones the effective date of certain labeling provisions of the new act until January 1, 1940. The conference agreement proposes no change in these provisions.

Subsection (b) of section 1 as it passed the House would give the Secretary of Agriculture power under specified conditions to further postpone the effective date of the labeling requirements of some of these sections until July 1, 1940. The purpose of subsection (b) is to permit the use after January 1, 1940, of certain labeling and containers bearing labeling which conform to the present law and where the refusal of the use thereof would be unduly burdensome.

The Senate adopted an amendment providing an additional method of securing a postponement of the effective date of these labeling provisions. It provides in substance, that by filing an affidavit setting up certain facts the applicant would thereupon be entitled "as a matter of right" to postponement until July 1, 1940, without any action by the Secretary.

The substitute recommended by the conference committee eliminates the Senate amendment, more specifically defines the cases in which postponement shall be granted, and directs the Secretary by regulations to grant exemptions within the restrictions specified in the section.

The substitute does not change the substantive law nor extend the date beyond July 1, 1940, as designated in the House bill, nor give the Secretary any greater power of extension.

The House conferees concur in the second of the Senate amendments. That amendment simply provided for grammatical changes to correct what was evidently an inadvertance in subsection (d) of section 502.

We believe it is the desire of the House to pass no act extending postponement beyond the date already approved and to make no changes in the substantive provisions of the new Food, Drug, and Cosmetic Act prior to its effective date. The proposed conference agreement is consistent with those purposes.

CLARENCE F. LEA,
VIRGIL CHAPMAN,
CARL E. MAPES,
Managers on the part of the House.

Mr. LEA. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Speaker, I have asked for this time largely for the purpose of calling attention to some questions which have been raised in regard to this conference report and to make the record complete, so that there may be no misunderstanding in regard to it.

As the gentleman from California [Mr. LEA] knows, at first some questions were raised in regard to the report because of a fear on the part of some that it discriminated against those using printed labels. The conferees felt there was no such discrimination in fact, and I think those who first raised the question have been satisfied that is true.

Mr. LEA. There is no discrimination. The exemption applies only to labels manufactured prior to February 1 of this year and not to future manufactured labels.

Mr. MAPES. And with the adoption of this conference report all labeling provisions of the law are postponed from going into effect from June 25 to the 1st of January 1940?

Mr. LEA. That is correct; yes.

Mr. MAPES. Now, there is one other question which the conferees have discussed. Of course, there are some people, a limited number to be sure, who would be glad if this law never went into effect. My understanding is that it is the position of the chairman of the committee and the other members of the conference committee, as far as the House members are concerned, and we hope the same may be said of the Senate conferees, although we are not authorized to speak for them, that there shall be no further extension of the law or any material amendments made to it, in the immediate future at least, and that the industries affected by the law should govern themselves accordingly and be prepared to comply with it as now written.

Mr. LEA. The gentleman has correctly stated the view of the conferees. It was our feeling that it is the desire of the House that there be no further extensions before the act goes into effect, or substantive amendments.

Mr. JENKINS of Ohio. Mr. Speaker, will the gentleman yield?

Mr. LEA. I yield.

Mr. JENKINS of Ohio. Would the gentleman mind doing a fine thing for all of us who do not know what he and the distinguished gentleman from Michigan are talking about, because you are both learned men and know what you are talking about, but we do not? What does this report concern?

Mr. LEA. It is an extension of the labeling provisions of the Food and Drug Act, extending the duty to comply with the new act until January 1 of this year; but in the meantime these labels that are permissible must comply with the existing Food and Drugs Act.

Mr. JENKINS of Ohio. As I understand it, it applies to nothing but drugs?

Mr. LEA. And food; the labeling provisions of the Food and Drugs Act.

Mr. JENKINS of Ohio. To what was the gentleman from Michigan referring when he said that certain portions would be postponed until next year?

Mr. LEA. There is discretionary power in the Secretary of Agriculture to extend the use of certain old labels, where they comply with existing law, and the compliance with the new law would be unduly burdensome.

Mr. JENKINS of Ohio. Who were the persons he had in mind when he suggested there were some few people who would be highly displeased with this procedure?

Mr. LEA. I know of nobody who is highly displeased with it.

Mr. JENKINS of Ohio. I thought the gentleman indicated there would be somebody who was not satisfied with what we were doing here today?

Mr. LEA. Oh, he anticipated that in the future other people will want amendments, but I think he could not define them, and I could not define who they would be.

Mr. JENKINS of Ohio. I thank the gentleman.

Mr. LEA. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. WOODRUM of Virginia. Mr. Speaker, I ask unanimous consent to extend my remarks by inserting in the Appendix a short statement on the Federal theater project.

The SPEAKER. Is there objection?

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an article on the problem of interstate migration.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. MURDOCK of Arizona. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in two respects: One, with reference to my appreciation of the chairman of the Appropriations Committee, Mr. TAYLOR; and the other with reference to mining needs in the West.

The SPEAKER. Is there objection?

There was no objection.

PHILIPPINE INDEPENDENCE

Mr. MILLS of Louisiana. Mr. Speaker, I ask unanimous consent to address the House for one-half minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. MILLS of Louisiana. Mr. Speaker, I would like to call the attention of the House to S. 2390, a bill that passed the Senate and is now pending before the Insular Affairs Committee. This bill has to do with amending the bill dealing with the Philippine Islands Independence Act.

I ask unanimous consent to insert in the RECORD a letter I received from Mr. C. C. Hanson, secretary of Association of Southern Commissioners of Agriculture, dealing with this bill. I may also say that this bill affects over one-half of this Nation, as well as the Philippines. If I may have permission, I would like also to insert in the RECORD a statement submitted to the Insular Affairs Committee by

Mr. Sergio Osmena, of the Philippines, dealing with this subject.

The SPEAKER. Is there objection?

Mr. RICH. Mr. Speaker, reserving the right to object, will the gentleman from Louisiana tell us whether the individual who writes this letter is in favor of giving the Philippines their independence?

Mr. MILLS of Louisiana. I may say to the gentleman from Pennsylvania that my remarks on this bill concern the economic rather than the political side of the Philippine question.

Mr. RICH. They want to permit the importation of produce from the Philippines?

Mr. MILLS of Louisiana. That is right.

Mr. RICH. In competition with the American farmer?

Mr. MILLS of Louisiana. Under certain limitation; yes.

Mr. RICH. That is what I wanted to get at; the gentleman is opposed to permitting these things to come in because of the fact they are grown with cheap labor in the Philippines.

Mr. SIROVICH. Mr. Speaker, I demand the regular order.

The SPEAKER. The regular order is demanded. The regular order is, Is there objection to the request of the gentleman from Louisiana?

There was no objection.

RELIEF OF CERTAIN WORLD WAR VETERANS

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the Committee on World War Veterans' Legislation be discharged from the consideration of the bill (H. R. 5027) for the relief of veterans who served honorably during the World War and were later discharged from the service, and that the bill be rereferred to the Committee on Military Affairs.

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

There was no objection.

EXTENSION OF REMARKS

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the gentleman from Florida [Mr. GREEN] may be permitted to extend his remarks on the Florida Canal and to include therein certain letters and excerpts from official documents.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. GEYER of California. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a press release from the National Association of Colored People.

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

There was no objection.

Mr. DIRKSEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial and short excerpts from the Springfield Register.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. KING. Mr. Speaker, I ask unanimous consent to include, in a revision of the remarks I made on the relief appropriation bill, two concurrent resolutions adopted by the Legislature of the Territory of Hawaii.

The SPEAKER. Is there objection to the request of the Delegate from Hawaii?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that on Thursday of this week following the legislative program for the day my colleague the gentleman from Michigan [Mr. DONDERO] may adddress the House for 20 minutes.

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

There was no objection.

EXTENSION OF REMARKS

Mr. MASON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the subject A Series of Political Prognostications Indicating Which Way the Winds Are Blowing.

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

There was no objection.

THE WAGNER ACT

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HOFFMAN. Mr. Speaker, may I have the attention of the Members from the city, such as the gentleman from New York [Mr. BLOOM], to call attention to the fact that when we set a clutch of hen eggs, it takes 3 weeks for them to hatch. It takes longer for duck eggs, and longer yet for goose eggs. The Labor Committee of the House has been sitting on this Wagner Act, which is nothing in the egg line but a doorknob, for about 2 or 3 months. Somebody has been monkeying with the nest, and I suspect it is the Labor Board. They have got the eggs, if there are any, all addled. Why can we not get the Wagner Act out on the floor for amendment? You city fellows ought to see about it. If you do not, it will defeat you in '40. [Applause.]

[Here the gavel fell.]

REPEAL OF SEVENTEENTH AMENDMENT

Mr. THORKELSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[Mr. THORKELSON addressed the House. His remarks appear in the Appendix.]

EXTENSION OF REMARKS

Mr. BLOOM. Mr. Speaker——

The SPEAKER. For what purpose does the gentleman from New York rise?

Mr. RICH. Mr. Speaker——

The SPEAKER. The Chair has recognized the gentleman from New York.

Mr. BLOOM. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein several short articles on neutrality.

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

There was no objection.

Mr. SHAFER of Michigan. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein certain excerpts from explanations made by the Department of Agriculture concerning milk bills now before the House.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. SHAFER]?

There was no objection.

Mr. MURRAY. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and to include therein an address given by Mr. W. A. Cameron, of Detroit, Mich., and I also ask unanimous consent that if the address consumes more than the allotted space in the RECORD, that it may still be included notwithstanding the extra cost.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin [Mr. MURRAY]?

There was no objection.

Mr. ANDREWS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter received from a citizen of New York which I consider a pertinent outline of the current situation in this country.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. ANDREWS]?

There was no objection.

COMMITTEE ON THE JUDICIARY

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent that permission may be granted the Judiciary Committee to

sit during the session of the House today. This committee is hearing evidence on the railroad reorganization bill.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. SPRINGER]?

There was no objection.

EXTENSION OF REMARKS

Mr. O'BRIEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a speech given by Frank Gannett over the radio on June 17 of this year.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. O'BRIEN]?

There was no objection.

Mr. LUDLOW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a radio address by my colleague the gentleman from Indiana [Mr. BOEHNE].

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. LUDLOW]?

There was no objection.

Mr. RUTHERFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter from a corporation in my State on the effect of taxation.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. RUTHERFORD]?

There was no objection.

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter received from a southern commissioner of agriculture on the Philippine bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. CRAWFORD]?

There was no objection.

HOW CANBY, OREG., DID IT

Mr. PIERCE of Oregon. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oregon [Mr. PIERCE]?

There was no objection.

[Mr. PIERCE of Oregon addressed the House. His remarks appear in the Appendix.]

NEUTRALITY

Mr. FISH. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. FISH]?

There was no objection.

Mr. FISH. Mr. Speaker, the Republicans in the House will welcome a showdown on the Bloom fake neutrality bill, which promotes war, not peace.

I regard the measure as the most important bill that has come before Congress in many years, involving maybe the lives of millions of Americans and the preservation of our free institutions. It is an unneutral proposal, setting up machinery to permit President Roosevelt to drag us into every European war.

The Bloom bill gives the President the right to determine the aggressor nation, through establishing combat areas, and virtually delegates to him the war-making powers of the Congress. This unneutral bill, dangerous to the peace of America, must not pass.

I believe we have the votes in the House to strike out section 3, regarding combat areas, and probably votes enough to recommit it. The issue will be determined in the House by the number of protests received by Members of Congress from peace-loving Americans who want to keep out of foreign wars and are opposed to giving any one man—like the dictators of Europe—the power to send our youth to foreign lands to fight other people's battles.

RESIGNATION FROM COMMITTEE ON WAR CLAIMS

The SPEAKER laid before the House the following communication:

JUNE 19, 1939.

Hon. WILLIAM B. BANKHEAD,
Speaker, House of Representatives, Washington, D. C.

MY DEAR MR. SPEAKER: I hereby tender my resignation from the Committee on War Claims.

Respectfully yours,

E. C. GATHINGS.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

THE REVENUE BILL OF 1939

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. 6851) to provide revenue, equalize taxation, 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. 6851, with Mr. LANHAM in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under previous order, general debate shall consume not to exceed 3 hours, the time to be equally divided and controlled by the gentleman from North Carolina [Mr. DOUGHTON] and the gentleman from Massachusetts [Mr. TREADWAY]. The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, it has been my privilege to be a member of the subcommittee on taxation of the Committee on Ways and Means since it was first created in 1933. While the work of that committee has been very strenuous and exacting, it has been extremely interesting. When the subcommittee was first created Mr. Sam B. Hill, of the State of Washington, was chairman. The majority members were Mr. Cullen, of New York; Mr. Vinson of Kentucky; and myself. The minority members were Mr. Treadway, of Massachusetts; Mr. Crowther, of New York; and the late Mr. Frear, of Wisconsin.

Following the voluntary retirement of Judge Hill from Congress, Mr. Vinson of Kentucky became chairman. The gentleman from Massachusetts [Mr. McCORMACK], the gentleman from Oklahoma [Mr. DISNEY], the gentleman from California [Mr. BUCK], and the gentleman from Missouri [Mr. DUNCAN] became majority members, and the gentleman from New York [Mr. REED] became a minority member.

Following the voluntary retirement of Judge Vinson from Congress, it was my privilege to become chairman of this subcommittee. At this session the gentleman from Indiana [Mr. BOEHNE] has been added to the majority side and the gentleman from Michigan [Mr. WOODRUFF] to the minority side of the subcommittee.

As this is the first tax bill reported since I have had the honor to serve as chairman of this subcommittee, I wish to take advantage of this opportunity to express my most grateful appreciation to the members of the subcommittee for their splendid spirit of cooperation and the valuable services they have rendered in this important work, and to thank the members of the full committee for their splendid cooperation and their vote of confidence in the work of the subcommittee in accepting the bill substantially as reported by the subcommittee. I also wish to acknowledge a debt of gratitude to Mr. Hanes, Under Secretary of the Treasury, and his associates, Mr. Stam and the members of the staff of the joint committee on internal-revenue taxation for the valuable assistance given by them, and to Messrs. Beaman and O'Brien of the drafting service for their valuable assistance.

Mr. Chairman, as we now approach the consideration of this revenue bill I believe it is well for us to bear in mind that the best way for us to accomplish real tax relief is to watch more closely the appropriations made by

Congress. It is only by appropriations voted by Congress that money can be taken from the Federal Treasury. After these appropriations are voted, the responsibility then rests upon Congress to provide the revenue to replenish the Treasury. My experience as a Member of this body has convinced me that the Congress responds to the will and the wish of the American people. As long as the American people continue to demand that the Federal Government provide more and more services and that Congress make more appropriations, the responsibility will rest upon us to provide the revenue to pay the bill.

The last three bills presented by the Committee on Ways and Means dealing with taxes have been tax-relief measures. The 1938 Revenue Act was a tax-relief measure. The motivating purpose throughout all the consideration of that bill was to afford tax relief. After we practically scraped the bottom of the barrel in providing tax relief under the 1938 Act, it is obvious that there was little opportunity left for us to provide much further tax relief without endangering the revenue of the Government.

I stated to the House during the consideration of the social-security bill recently passed by this body that that measure provided more real tax relief than any other measure we could hope to pass during this session of Congress. That statement is still true. Under the provisions of the social-security bill as passed by this House approximately $1,710,000,000 in relief of pay-roll taxes is provided for the next three years.

The pending bill, H. R. 6851, is a tax-relief measure, designed and intended to remove certain so-called "deterrents" and "irritants" to the full and free flow of business activity.

Now, with your kind indulgence, I should like to discuss briefly the outstanding provisions of this bill.

The bill provides for the extension for a period of 2 years of the present excise taxes which yield about $544,300,000. The bill also provides for the extension of the present 3-cent postal rate on non-local first-class mail for a like period of 2 years, and continues the power granted to the President, under existing law, to reduce the rate if he finds that it can be done. It is estimated that this provision with respect to the postal rates will provide around $100,000,000 in revenue for the year 1940.

Most of the other provisions of this bill relate to changes in the corporation tax structure. Corporations are permitted to carry over their net operating business loss for a period of 2 years. This is as great a period as they have ever had an opportunity to do that since we have had an income-tax law. This provision will take effect with respect to taxable years beginning after December 31, 1939. However, a corporation which has sustained a net operating business loss in 1939 will be permitted to carry over such net operating business loss in reducing its income for the year 1940 and to carry over any excess of such loss in reducing its income for the year 1941. Personal holding companies get a 1-year carry-over of operating or business losses under existing law, and there is no change made with respect to that.

Next is the capital stock and excess-profits tax. Under the present law $1 per $1,000 is levied as a capital-stock tax. The excess-profits tax provision provides that on net income in excess of 10 percent and not in excess of 15 percent on adjusted declared value the rate is 6 percent, and on net income in excess of 15 percent on the adjusted declared value the rate is 12 percent.

The excess-profits tax rates and the capital-stock tax rates, as provided in existing law, are continued.

Corporations are given the right under this bill to increase their capital-stock tax valuation for the next 2 years; that is, for the fiscal years ending June 30, 1939, and June 30, 1940, but not to decrease such valuation. Under existing law, corporations are entitled to a new declaration, either to increase it or to lower it, every 3 years. They will have the right to make a new declaration for capital-stock tax purposes, for the fiscal year ending June 30, 1941.

Under the provisions of this bill the undistributed profits tax is not extended. Under the present law this tax expires on December 31 of this year and under this bill the tax is not extended.

For corporations with less than $25,000 net income the rates in existing law are continued, and the treatment given excludes intercorporate dividends and Liberty Bond interest. These rates are, on the first $5,000 of net income, a rate of 12½ percent; on the amount of net income from $5,000 to $20,000, or the next $15,000, a rate of 14 percent; on the next $5,000, or the net income from $20,000 to $25,000, a rate of 16 percent. The present effective rate on a corporation with $25,000 net income is 14.1 percent. As I said a moment ago, under the provisions of this bill the tax on corporations with less than $25,000 net income is continued as under existing law.

For corporations with net income above $25,000, the rate under this bill is 18 percent. The present effective rate is 17.25 percent. Of course, it is on corporations with net income above $25,000 that, under the present law, the undistributed-profits tax of 2½ percent applies; in other words, a corporation that distributes all of its net income in the form of dividends to its stockholders pays at a rate of 16½ percent. If it retains all of its net income it pays under existing law a rate of 19 percent. There is that spread of 2½ percent, from 16½ percent to 19 percent under the present law, while under the pending bill a tax at the rate of 18 percent is levied.

Banks, insurance companies, China Trade Act corporations, and corporations in possessions of the United States, such as Puerto Rico and so forth, are taxed the same as all other corporations. Mutual investment companies are taxed at a rate of 18 percent, and under the present law they are allowed a deduction for dividends paid from the tax base. Under the present law these corporations to which I have just referred were not subjected to the undistributed-profits tax, therefore a special provision had to be included in the 1938 act applicable to this group of corporations. Now, since the undistributed-profits tax is not to be continued, they are taxed like all other corporations.

Foreign corporations engaged in trade or business in the United States are taxed on sources of income in the United States at a rate of 18 percent. Under the present law their rate is 19 percent. It has always been the practice to levy on this type of foreign corporations the maximum rate that is paid by our domestic corporations. This principle is followed in the pending bill.

Foreign corporations not engaged in trade or business in the United States, those that obtain dividends, interest, rents, and royalties—income from sources of that type from within the United States—the present rate is 15 percent, except as to dividends, and the rate there is 10 percent, and these rates are continued under the pending bill.

Mr. MASSINGALE. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I would prefer to continue this explanation of the provisions of the bill, if I may, and then I shall be delighted to yield to the gentleman.

Corporations in bankruptcy or receivership, joint-stock land banks, and rental housing corporations are taxed the same as other corporations. These corporations under the present law are allowed a credit of 2½ percent of their adjusted net income. This in effect relieved them from the undistributed-profits tax. Since the undistributed-profits tax is not to be continued, this bill leaves out this special treatment for these corporations, and they are taxed as all other corporations.

This bill repeals the present limitation of $2,000 on capital losses from ordinary income of corporations.

In the case of long-term capital losses, that is, those held more than 18 months, corporations are allowed the loss to be applied in full against ordinary income for the same taxable year in which the loss was realized. In the case of short-term capital losses, that is, those held less than 18 months, corporations are given the same treatment as is accorded individuals in the case of short-term losses, that is, to allow only short-term capital losses to be applied to

short-term capital gains. If short-term capital losses exceed short-term capital gains, the excess short-term capital loss can be applied against the short-term capital gains in the next year.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. COOPER. Mr. Chairman, that substantially covers the outstanding changes provided in this bill as to the corporation-tax structure. There are a few other matters to which I would like to briefly refer. This bill also provides for a 2-year carry-over for net operating business losses for individuals and partners the same as corporations. This bill also makes certain administrative changes, which afford relief to both the Government and the taxpayer, and I shall briefly refer to some of those.

A corporation which establishes to the satisfaction of the Internal Revenue Commissioner that it is in an unsound financial condition may redeem its bonds, notes, or other evidence of indebtedness in existence on June 1, 1939, at less than their face value, without the recognition of gain, if such redemption occurs after the enactment of this bill and prior to January 1, 1943. In other words, it provides a 3-year period for corporations in an unsound financial condition to be able to buy in their outstanding evidences of indebtedness and not be charged with the gain as between the price at which they buy them in and the face value of those obligations.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. BUCK. In drawing the language of the bill the committee has been very careful to so word it as to avoid opening up any loopholes that might result from people trying to defraud the Treasury by virtue of these new provisions.

Mr. COOPER. That is true. We have tried to safeguard and protect the provisions so that corporations not in financial distress will not be given the opportunity of taking advantage of it.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. In just a moment I shall be glad to yield. This provision will materially aid the railroads.

Mr. MAY. That is the question that I had in mind.

Mr. COOPER. And other corporations whose bonds can now be purchased at less than their face value, giving them an incentive to liquidate their indebtedness. I recall a very splendid statement made to your committee by Judge Fletcher, general counsel of the American Association of Railroads. As I recall now, he was of opinion that it might result in a reduction of the outstanding value of these obligations by some $2,000,000,000 to the railroads, which, of course, would involve a great saving of interest charges to the railroads.

Mr. BUCK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. And although it is not an official estimate, other estimates have indicated that it might result in a saving to these corporations of some hundreds of millions of dollars.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. Yes.

Mr. DOUGHTON. The gentleman will recall that a letter was also addressed to the committee by Mr. Jesse Jones, Chairman of the Reconstruction Finance Corporation, recommending the provision which is in the bill.

Mr. COOPER. That is true. The Chairman of the Reconstruction Finance Corporation wrote a very strong letter to the chairman of the committee pointing out that, in his opinion, a provision of this kind would be of great benefit to corporations in the country in financial difficulty.

I shall endeavor now to cover just one or two other points. This bill includes a provision which permits corporations to continue bona fide business reorganizations without being subject to tax by reason of the assumption by one corporation of the outstanding indebtedness of another corporation involved in the reorganization.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 2 minutes more.

Mr. COOPER. This was made necessary by the decision of the Supreme Court in the so-called Hendler case.

Another provision of this bill will validate the Treasury Department regulation of long standing, which required that where a stock dividend was declared, the basis of the original shares be apportioned between those shares and the dividend stock for computing the gain or loss on the sale thereof. This provision was made necessary by decisions of the Supreme Court in the Koshland and Gowran cases, and the treatment given here is to allow the practice to continue as it has for many years in dealing with the question of stock dividends.

Another provision included in this bill amends the Federal lien law to provide that such liens shall not be valid in the case of a negotiable instrument in the hands of an innocent purchaser in due course of trade for valuable consideration, without notice of the existence of the lien. This provision was made necessary by a decision of a district court in the State of Michigan which held that in the case of a negotiable instrument transferred to an innocent purchaser the tax lien would follow into the hands of the innocent purchaser. The purpose here is to continue the practice that has always prevailed, to not make the innocent purchaser subject to this lien.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 additional minutes out of my time.

Mr. COOPER. I thank the gentleman from Massachusetts.

These provisions that I have endeavored to briefly cover, as well as all other provisions of the bill, are fully covered and explained in the report, and I commend that to the favorable consideration of the Members of the House.

This bill was favorably reported by the unanimous report of your Committee on Ways and Means. It is the opinion of your committee that the bill affords real tax relief to the taxpayers of this country and at the same time will provide substantially the same amount of revenue as is provided under existing law. The excise taxes will yield about $500,000,000 in revenue, and the corporation taxes will yield about $1,000,000,000 in revenue. Your committee believes that this bill is worthy of your favorable consideration and support.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MICHENER. The gentleman has made reference to certain concessions made to corporations in financial distress. Is there anything in the bill to define "financial distress"?

Mr. COOPER. That is very largely left to the Commissioner of Internal Revenue. The practical effect of it is, of course, that the corporation will make application to the Commissioner of Internal Revenue for this special treatment provided in the bill and, of course, will make a proper showing to the Commissioner of Internal Revenue as to its financial condition. Of course, from a practical standpoint, if a corporation's bonds are selling down at 20 or 30 and the par value is perhaps two or three times that much, that within itself is considerable evidence that the corporation is in an unsound financial condition. All elements will be taken into consideration, of course, by the Commissioner of Internal Revenue in arriving at a decision as to whether the corporation is really in an unsound financial condition.

Mr. MICHENER. If that is the meaning of the law, then it will be incumbent upon any corporation whose bonds are below par to go to the Commissioner of Internal Revenue and make a complete showing as to the financial condition of the corporation before it can get the relief?

Mr. COOPER. Certainly. How else could it be handled?

Mr. MICHENER. My own judgment would be that they would probably, without any explanation, hold any corporation in financial distress, which was unable to meet the obligations after a court had passed upon the matter, or in case of a railroad, for instance, in reorganization, which

had alleged officially in court that it was unable to meet its obligations, but would not apply to any corporation which, perchance, was just attempting to get along and its creditors were not pushing the obligations.

Mr. COOPER. Of course, it is largely a question of fact as to the financial condition of the corporation. That has to be determined, and discretionary authority has to be vested for the determination of that question.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. TREADWAY. I yield the gentleman 2 additional minutes, Mr. Chairman.

Mr. MICHENER. If the gentleman will yield further?

Mr. COOPER. I yield.

Mr. MICHENER. Some minor amendment at this time might prevent all kinds of confusion and all kinds of loss. I may say that our Committee on the Judiciary is now conducting hearings on reorganization and has heard the railroad-security holders and everybody else. I am telling the gentleman if he will read those weeks of hearings he will find he is placing an insurmountable task upon the Commissioner of Internal Revenue.

Mr. COOPER. I realize it is a considerable task; but the Treasury Department and the Commissioner of Internal Revenue and the Chairman of the Reconstruction Finance Corporation, which, of course, is very much involved in this matter, think they will be able to administer it as we have provided here.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. McCORMACK. Of course, the cases referred to by the gentleman from Michigan [Mr. MICHENER] are not covered by this law; because if they go into receivership under 77 (b), then, of course, they would not be subject to taxation.

Mr. COOPER. Of course, there is another provision under existing law, and a provision in the pending bill dealing with corporations in bankruptcy or in receivership.

Mr. BUCK. The very purpose of this amendment is to keep these corporations out of the bankruptcy court entirely.

Mr. COOPER. That, of course, is true.

Mr. BUCK. It is intended to put them on a sound financial basis where they can earn enough money to pay an income tax to the Government.

Mr. COOPER. That is true.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. MAY. Mr. Chairman, I hope the gentleman will not regard me as being selfish, but the gentleman will recall that under the reorganization bill the National Bituminous Coal Commission was dissolved by the President and its functions were transferred to the Secretary of the Interior. The law setting up the Coal Commission carried a provision imposing a tax on the coal industry of 1 cent per ton, which amounts to something like $3,500,000 annually. Was the removal of this tax given any consideration by the gentleman's committee? Was it presented to the committee for consideration?

Mr. COOPER. As the gentleman knows, the Coal Act is an entirely different measure.

Mr. MAY. But it imposes a tax.

Mr. COOPER. That is not in any way connected with the 1938 Revenue Act. The Coal Act was a regulatory measure. [Applause.]

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RICH. This may not be exactly a parliamentary inquiry, but I wish to find out whether we cannot get an opportunity to interrogate those who are responsible for this tax bill.

The CHAIRMAN. The gentleman from Pennsylvania knows that debate on the bill has been limited to 3 hours, equally divided between the gentleman from North Carolina and the gentleman from Massachusetts. These gentlemen are in control of the time, and it must be used as they yield it.

Mr. RICH. Mr. Chairman, may I ask the gentleman from North Carolina a question?

Mr. DOUGHTON. Mr. Chairman, if the gentleman from Pennsylvania desires time, I suggest that he apply to the gentleman from Massachusetts.

Mr. TREADWAY. Mr. Chairman, rather than speaking myself, having agreed to yield to the gentleman from Pennsylvania, I now yield him 5 minutes.

Mr. RICH. Mr. Chairman, may I interrogate whomever is going to be the leader on this tax bill on the Democratic side? I suppose it is the gentleman from Tennessee [Mr. COOPER], since he just presented the bill on the floor? How much revenue will this bill raise?

Mr. COOPER. I think my closing statement was that the excise taxes will yield about $544,300,000. The extension of the 3-cent postal rate is estimated to yield about $100,000,000 in 1940. The corporation taxes imposed under the pending bill will run to about $1,000,000,000. This gives an aggregate amount, therefore, of something over $1,600,000,000 provided under the bill.

Mr. RICH. How nearly will the revenue to be raised under this tax bill equal the expenditures already authorized for 1940? As I estimate, up to the present time we have appropriated $9,312,515,000.

Mr. COOPER. The yield under this bill, of course, is in accordance with the Budget message of the President. The gentleman himself is a distinguished and valuable member of the Committee on Appropriations, to which the President's Budget message was referred, and I would yield to him as being in possession of far greater knowledge and understanding about the appropriation phases of it than I could be.

Mr. RICH. Let me say here and now that nobody in charge on the Appropriations Committee seems to have any knowledge of the difference between the amount to be raised by this bill and the amount the Congress is appropriating for the next fiscal year; or, if they have, they are paying no attention to it.

The President's own estimate shows that next year it is expected the Treasury will receive about $5,669,000,000 in taxes. This means we are going to be $4,000,000,000 short under this tax bill which you men have brought in here. Now, how are you ever going to get together on revenues and expenditures?

Mr. COOPER. The gentleman knows, of course, that the pending bill does not represent all of the revenue legislation now on the statute books.

Mr. RICH. Taking all of the revenue, including that expected to be raised by this bill, according to the way I figure the thing out hurriedly here on the floor, you are going to be $4,000,000,000 short.

I ask the chairman of the Committee on Ways and Means: What interest have you taken with the chairman of the Committee on Appropriations to try to get your two committees together to see if we could not get a balanced Budget?

Mr. DOUGHTON. What interest has the gentleman taken in cutting his garment by the cloth?

Mr. RICH. I have tried to cut the suit to fit the man. Have you in any way consulted with the chairman of the Committee on Appropriations? You should have admonished him on his spending.

Mr. DOUGHTON. No; that is not my job. The door is open at any time.

Mr. RICH. Have you consulted with the Speaker of the House? If not, you should have asked for his support in stopping the great spending spree.

Mr. DOUGHTON. The door is always open.

Mr. RICH. Have you consulted with the majority leader?

Mr. DOUGHTON. We consult frequently; yes.

Mr. RICH. Has he suggested that you stop spending? Have you gotten together and tried to coordinate the efforts

of the various committees to the end that we may have a balanced Budget?

Mr. DOUGHTON. I hope we may some time; yes.

Mr. RICH. You hope you may some time. I am asking why you do not get together now. Now is the time. You cannot put it off.

Mr. DOUGHTON. The gentleman says "you." Why does not the gentleman say "we"?

Mr. RICH. That is what we want to do on this side.

Mr. DOUGHTON. Why does not the gentleman say "we"?

Mr. RICH. You control the majority. We want to get these committees together so that our income will equal our outgo; but the gentleman has not got them together. If the gentleman will call them together and will ask me to come in, you bet I will be there. Has the Speaker of the House ever said anything to the gentleman about making your income and your outgo meet? I question if he has.

Mr. DOUGHTON. Oh, he has talked with us frequently.

Mr. RICH. Has he suggested any way whereby the gentleman should get the committees together and try to have the income and outgo equalize each other?

Mr. DOUGHTON. We have very frequent cordial and agreeable conferences; yes.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. RICH. Mr. Chairman, I want to show where we are today. We are going to be worse off this year with the tax bill than we were during the past fiscal year, or present fiscal year, which closes on the 30th of this month. The income up to this point during the present year has been $5,237,000,000. The outgo has been $8,625,000,000. You are in the hole right now $3,388,000,000, and you will be over three and a half billion in the red for 1939.

In 1940 you are going to be worse off, deeper in the hole, even with this tax bill, than you were in 1939. It is a most horrible, dreadful situation. You are extending the excise taxes and 3-cent postage for 2 years. You better put that on indefinitely, because you will never get out of the red if you do not. You have continued the 3-cent postage for 2 years, but you will never get away from it, because Jim Farley, in the operation of the Post Office Department, has spent more than you will ever get in, so you know you ought to continue that indefinitely.

Mr. BUCK. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from California.

Mr. BUCK. I take it that the gentleman from Pennsylvania is not in accord with the recommendation of the minority members of the Ways and Means Committee that we strike out title I, relating to the continuance of the nuisance taxes, and the 3-cent postage rate? The gentleman wants them carried on. In other words, he thinks the position taken by the minority members of the Ways and Means Committee is indefensible.

Mr. RICH. Yes. You have to get more taxes. You cannot let the people of this country cut down on taxes or you will wreck the Nation, and that will be terrible. The people must pay the bill for the Democratic folly.

The gentleman from North Carolina, the chairman of the Ways and Means Committee, is one of the finest men who ever sat in the House, but he wants to get the chairman of the Appropriations Committee, who has a birthday today and who is another fine gentleman, and work this thing out together. The gentleman should get him to stop his expenditures or else he must bring the taxes up to meet those expenditures.

Mr. DOUGHTON. I think we can both help.

Mr. RICH. Yes. I am trying to get you together.

Mr. DOUGHTON. Is the gentleman prepared to recommend additional taxes to take care of additional appropriations so as to bring the Budget in balance?

Mr. RICH. I say that the Appropriations Committee has gone haywire. You cannot fix them up. They appropriate too much to every request.

Mr. DOUGHTON. We cannot get any help there?

Mr. RICH. No; we cannot get any help there. We have got to get those fellows together and give them a good lecture, and I hope the gentleman will do that.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. RICH. Mr. Chairman, I want to ask the members of the Committee on Ways and Means further questions. You have discontinued the undistributed-profits tax, because you state that is a good thing to do. Two or three years ago we stormed over that tax and said it would do more to the detriment of America and American business than anything that could happen. We were right. Now I certainly congratulate the gentleman on eliminating the undistributed-profits tax. He is having a change of heart on that tax, and he did a good thing. The gentleman from Tennessee [Mr. COOPER] I refer to, and he is one of the finest fellows in the House. I congratulate him now for recognizing that fact. I hope BRUCE BARTON can eliminate a law a day for a month; it should help.

Mr. COOPER. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Tennessee.

Mr. COOPER. I accept the gentleman's congratulations with deep appreciation. May I say to the gentleman with reference to the question of appropriations and revenue that I have frequently stated to the chairman of the Appropriations Committee, and to many members of that committee, that you can find any man in the street who can spend money faster than the smartest man in the country can make it.

Mr. RICH. The gentleman is correct. He is right there. It takes brains to make money, but any fool can spend it.

Mr. COOPER. The real responsibility, so far as expenditures are concerned, rests more with the gentleman's committee than it does with the Ways and Means Committee.

Mr. RICH. I admit that, and I have done everything in that committee toward that end; so much so that the members of the committee do not like to hear it any more. I have asked them the question time after time, "Where are you going to get the money?" Not a member of the Appropriations Committee can tell me. Nor any other Member of Congress.

Mr. COOPER. I am sure the gentleman has been very diligent in that respect.

Mr. RICH. Not a member of the Ways and Means Committee can tell you where you can get enough out of the people of America to match the appropriations that have been made by the Appropriations Committee. That is why I want to know whether the Speaker of the House, the majority leader, the chairman of the Ways and Means Committee, and the chairman of the Appropriations Committee have gotten together? If not, they ought to go into conference. They ought to call their leaders together and urge a balancing of the Budget. They must find out where we are going to get the money.

Mr. DOUGHTON. I would like to observe that the gentleman from Pennsylvania is one of the most sincere and consistent Members of this House.

Mr. RICH. I appreciate that distinction and honor.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the gentleman from Tennessee began his remarks by referring to the subcommittee that has been in existence for a number of years, and he referred to the minority members, two of whom have been on the committee since its inception—namely, the gentleman from New York [Mr. CROWTHER] and myself. It has been a privilege to work with that committee. It is a trying job at best and means many extra hours of work, but I can fairly say that the intent of the members has been to do away with partisanship and confine the work of the committee to what they consider to be for the best interest of the country in the line of taxation. Our present chairman, Mr. COOPER, the gentleman from Tennessee, has been very eager to carry out that purpose.

I am not going to criticize this bill severely. I am going to make some suggestions of change, but there are two matters the gentleman from Tennessee brought up that I wish to refer to before beginning the remarks I intend to make.

The gentleman spoke about saving $1,700,000,000 in the pay-roll tax under the social-security bill. It is begging the question just a little to say that that is a direct saving. This would have been a tax of the future if not changed. Possibly the employer and the employee could have said, "We have to calculate on this tax going into effect in future years," but as far as relief from present taxation is concerned that is more or less of a misnomer in that the tax has never been levied, and therefore the taxpayers, both the employers and the employees, under the Social Security Act, have not actually had to meet that tax. It requires somewhat of a stretch of the imagination, in my opinion, to say that it is a saving. It does not seem to me to quite qualify under that definition.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Tennessee.

Mr. COOPER. I wish to thank the gentleman for his great courtesy to me in yielding time. I do wish to say to the gentleman, however, in connection with the social-security tax to which the gentleman has referred and I have referred, that under the present law the people will have to pay that tax.

Mr. TREADWAY. They would have had to pay it, and we of the minority have criticized the excessive pay-roll tax burden that is provided under existing law to build up a mythical and unnecessary reserve of 47 billions.

Mr. COOPER. They will have to pay it unless the bill passes that is now pending in the Senate. They will have to pay that tax, they will have to pay $1,710,000,000 more under the law as it now stands, unless this bill finally becomes law and they are relieved of that burden.

Mr. TREADWAY. Yes; I agree with the gentleman, but let me add that that law is a child of the New Deal's own conception, and the Democratic Party is on trial in tax matters right here and now because the existing law to which the gentleman from Tennessee has been referring is of their own manufacture. When we say that the social-security bill, which recently passed the House, is an improvement on the present law, that is true. The tax bill which is before the House today is a decided improvement over the present law, but the present law was written by the Democratic Party. I want to lay the blame for the mistakes in that law right where it belongs, on their doorstep.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Did the gentleman vote for the Social Security Act?

Mr. TREADWAY. I did; under protest to a certain extent.

Mr. McCORMACK. The gentleman voted for it?

Mr. TREADWAY. Oh, that is neither here nor there. We of the minority have said all the time that the original act had a lot of bad features in it and you have taken the time and made the effort to correct them.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Michigan.

Mr. HOFFMAN. Is it not true that for the last 5 years on practically every question of major legislation they bring a bill in here and tell us we can take it or leave it and get nothing else?

Mr. TREADWAY. That is the privilege of the majority.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Is it not a fact that the Social Security Act originally brought into this House was brought in under an open rule and not under a gag rule?

Mr. TREADWAY. What I said to the gentleman from Michigan was that it is the privilege of the majority to write legislation according to their own methods and desires. We are not criticizing that fact. Give us a chance next year and we will show you some changes in legislation mighty quickly.

Mr. DISNEY. Did not the gentleman and a majority of the Republicans vote for the Social Security Act?

Mr. TREADWAY. We did. However, if the gentleman will do us the honor of reading our minority views at that time, and also my remarks at the time, he will find that we did not do it with a great deal of pleasure and satisfaction. We realized the mistakes that the Democratic Party had made in writing the bill.

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield for one more question?

Mr. TREADWAY. I yield.

Mr. HOFFMAN. They bring in a bill; and no matter how rotten it is, no matter what good provisions we may want to put in it, they say, "You take this or nothing." That is their attitude and always has been. We have had to take it.

Mr. TREADWAY. I am not in entire agreement with the views of the gentleman from Michigan. Occasionally we have gag rules, but that does not apply to this bill. It did not apply to the social security bill, which could have been amended if we had had the votes. We did offer some amendments to it, which were voted down. It is not altogether a case of take it or leave it, but the majority as a rule write the legislation and they are invited to an opportunity to do so.

Mr. DISNEY. Mr. Chairman, will the gentleman yield further?

Mr. TREADWAY. Just briefly.

Mr. DISNEY. Is it not a fact that the Social Security Act was in the nature of an experiment, an attempt to relieve conditions in the United States the best way we could, and did not the Republicans work with the Democrats in an attempt to bring in the best possible bill without having had previous experience in writing such legislation?

Mr. TREADWAY. The gentleman is correct in that statement, but nevertheless there were outstanding defects in the original Social Security Act which we pointed out at the time.

Mr. Chairman, I would not have made reference to the Social Security Act, which has been debated long and vigorously here, had it not been for the statement of the gentleman from Tennessee [Mr. COOPER] which I thought was susceptible to slight revision.

One other idea that he mentioned in the course of his remarks is that this is a tax-relief measure. Well, yes and no; it is a tax-relief measure to the extent that it is changing certain methods of taxation. We were told to start with that we must not try to write a bill that did not bring in as much revenue as is brought in under the present law. If the taxpayers have found difficulty in meeting their obligations in certain lines of taxation—and that experience has been voiced to the Ways and Means Committee—you are not relieving taxation a great deal if you simply shift the burden from one taxpayer's shoulders to another's and that is what this bill endeavors to do.

I do not believe the majority are entitled to anything like the credit they want to assume in saying that this is a relief measure. It is a different kind of relief and possibly the people who will now assume this additional burden will be finding fault, so you will be ready to revise it again next year. This is the kind of relief it is, not the type exactly that the gentleman from Tennessee would like to have you think it is.

Now, Mr. Chairman, we are considering here today two bills incorporated in one measure. We have before us the question of removing some of the tax deterrents to business which have grown up under this administration. Let me emphasize that they have grown up under this administration. In the press accounts and the statements put out by the majority side you find no acknowledgment that these deterrents are of their own origin. I spoke of that a moment ago and I want to reiterate the statement.

The other question we have before us is the matter of continuing the expiring nuisance taxes and the 3-cent postage rate.

I am opposed to this latter feature of the bill, as are my Republican colleagues on the committee. The basis of our opposition is the same today as on past occasions when the matter of their extension has been under consideration. The New Deal has not kept faith with the people in continuing, indefinitely, these nuisance taxes and the 3-cent postage rate. You are practically trying to make permanent the nuisance taxes and the 3-cent postage rate.

They were first put on as an emergency measure in 1932 for a period of 2 years, and the law provided they should go out of existence on June 30, 1934. That was as plainly written into the law as anything could be, but when the New Deal spending administration came into power one of the first things it did was to extend these taxes for an additional year even before they had expired the first time. In 1935 another extension was made and this time for 2 more years. In 1937 there was a still further extension, and under existing law they are due to expire on the 30th day of this month. The New Deal now proposes to extend them a fourth time and thereby again break faith with the people. This breach of faith with the people is one reason I am opposed to the extension.

Why mislead the people all this length of time? Congress called them emergency taxes in 1932 when they were first imposed. Perhaps they were, but nevertheless you of the Democratic majority did not try to economize one dollar's worth; and I am going to refer to that in a moment. That is why you are asking to have these nuisance taxes extended and the 3-cent postage rate continued. You are spendthrifts. This is the worst spendthrift administration this country has ever known.

Another objection to these taxes, in addition to the fact you are not keeping faith with the people, is the fact that they are consumption taxes, not based on ability to pay, but which fall most heavily on those with small incomes. The real basis of taxation should be the ability of the person taxed to pay the tax, and certainly you cannot say that any one of these nuisance taxes is of that character. A lot has been said about doing away with indirect and hidden taxes. Here is our chance to do something along that line.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. TREADWAY. Mr. Chairman, I yield myself 10 additional minutes.

The third reason I am opposed to the continuation of these taxes is that I have consistently refused to vote new taxes on the people or extend old ones until the New Deal first makes a definite and sincere effort to reduce expenditures. The only reason that these taxes have had to be continued beyond 1934 is because of this New Deal spending program. Originally the people were promised when this administration came into power a 25-percent reduction in the cost of Government, and that meant reduction of 25 percent below the four and a half billion dollars spent to run the Government in 1932. Instead, the New Deal has more than doubled the cost of Government.

Mr. WHITE of Idaho rose.

Mr. TREADWAY. I cannot yield. That is why the President insists these nuisance taxes be continued. Despite all the taxes the New Deal has piled on the American people, we are still running deficits of three to four billion dollars annually, with no end in sight. It would take over a 50-percent increase in taxation to balance the Budget, without making any provision for retiring the national debt, which the New Deal has increased to the staggering total of nearly $45,000,000,000. The people are entitled to relief from taxation, and the only way they can get it is by reducing expenditures. This does not mean doing away with essential governmental functions, but simply the practice of a little economy and the elimination of waste and extravagance. A reduction of less than 7 percent in the 1940 Budget would offset the amount of money produced by the nuisance taxes, and the extra 1 cent on first-class postage.

How unfair this 1-cent extra postage is. There are $100,000,000 more receipts from the 1-cent postage addition than the cost of carrying the first-class mail. That 100 millions is a direct tax on the users of the mail.

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. SHORT. Our Federal revenues in 1932 were a little in excess of $2,000,000,000, but last year we collected in excess of $6,000,000,000, or more money than ever before collected in peacetime history, and yet we ended the fiscal year with a billion-and-a-half-dollar deficit, and this year it will amount to a deficit of $3,500,000,000.

Mr. TREADWAY. The gentleman is expressing in words better than I can the thought that I am endeavoring to bring to the House.

Mr. SHORT. And that is not considering the hidden, concealed taxes on food and clothing, nor the sales tax, which most of the States have imposed on their citizens.

Mr. TREADWAY. The gentleman is absolutely correct in his statement. His conclusion, I have no doubt, is that we are going into bankruptcy. I thank the gentleman, because he is always accurate in his statements.

Mr. WHITE of Idaho. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Very briefly. I dislike to refuse any of my colleagues, and the gentleman from Idaho is always so anxious to be heard that I will extend him the privilege.

Mr. WHITE of Idaho. I simply wanted to ask a question. The gentleman said that he was in favor of relief from taxation. I wonder which he regards as the more important, relief from taxation or relief from starvation?

Mr. TREADWAY. What a ridiculous question. The gentleman should realize that if we eliminate tax deterrents, business will be able to provide work for the unemployed and we will not have the necessity for the present large expenditures for relief.

Mr. WHITE of Idaho. But the gentleman was speaking of relief.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. Yes.

Miss SUMNER of Illinois. Does the gentleman feel that any government which is extravagant can be a kind government? Does he not think that any President who goes down in history as the "Great Spender" will be one of whom it shall be said that we do not owe much to him, but we owe a lot on account of him?

Mr. TREADWAY. I think the contribution made by the gentlewoman from Illinois takes rank over the contribution made by the gentleman from Idaho [Mr. WHITE]. I congratulate her on that last remark which she made. The people and their children and grandchildren will owe a great deal as the result of the administration of President Roosevelt.

The issue we are voting on here today under title I, is simply a question of whether we are going to continue to fill the pockets of the New Deal spendthrifts by burdensome taxes on the people, or whether we are going to force the administration to do a little economizing instead of spending the public money without thought of where it is coming from.

Putting the gentlewoman's thought in a little different language, the only way in which we can express ourselves on the issue before us is by refusing to vote new taxes or continue old ones until the administration has first tried to make at least some progress toward a balanced Budget by reducing expenditures. Is that not the principle that the gentlewoman advocates—reducing expenditures?

Mr. HOFFMAN. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. HOFFMAN. But how can we do it when the administration will not reduce expenses?

Mr. TREADWAY. I will tell you how we can do it. The American people will do it in the election of 1940 by continuing in office Republicans who are here now, and adding very materially to their number.

Mr. HOFFMAN. But in the meantime we are all going to get soaked.

Mr. TREADWAY. Yes. You will have to stand the soaking for the time being. I do not know any relief from it, because evidently the motto of the administration is "Spend, spend, spend, and tax, tax, tax."

Mr. HOFFMAN. Well, in between, they borrow a little.

Mr. TREADWAY. I think the gentleman and I are so nearly in accord it would be difficult for us to get into an argument.

Mr. HOFFMAN. But I would rather give them a political hanging now rather than in 1940.

Mr. TREADWAY. However, we want the lesson to go home to the people between now and 1940.

Mr. HOFFMAN. Surely.

Mr. TREADWAY. Of what the administration is doing to them.

Mr. HOFFMAN. We want them to see what they have done and what the people think about it.

Mr. TREADWAY. Absolutely. One way to try to balance the Budget is by doing away with extravagance and reducing expenditures. Another way is to get along without things we do not actually need. That is a very important factor, I think. Do not put all the spending propositions up to the people and tell them how good they are, with no thought of how they are going to pay for them.

Mr. Chairman, I now want to refer to the second feature of the bill, namely, the removal of tax deterrents to business.

Along with my Republican colleagues on the Ways and Means Committee, I am in favor of the proposed changes in the corporate tax structure which seek to remove some of these deterrents. For years we of the minority have been criticizing the restrictive and repressive tax policy of this administration and we are glad to see that it is now admitting its errors and gradually correcting some of its mistakes.

The tax-relief features of this bill are a victory for the Republican minority. The majority are now coming around to our viewpoint.

We vigorously opposed the iniquitous undistributed-profits tax of 1936 and pointed out the disastrous effects it would have. Our predictions turned out to be correct, and in 1938 the New Deal was forced to retreat from this vicious tax principle although a vestige of the tax was retained in the law for 2 years for face-saving purposes.

I use the word "vestige" advisedly. It is defined in Webster's Dictionary as follows:

> A small, degenerate, or imperfectly developed part or organ which has been more fully developed in an earlier stage of the individual or in a past generation.

The tax was a monstrosity at birth, and should never have been allowed to become a part of the Federal revenue system. The majority propose to allow what is left of it to expire at the end of this year. I favor repealing it now, retroactive to January 1. There is no excuse for the postponement of its repeal.

We of the minority refer to some of the reasons for deferment in our supplemental report on the bill, and I shall not go into them here except with respect to one of them. The excuse given by the majority for not repealing the undistributed profits this year, and substituting the 18-percent flat tax is that business has gone along for 6 months under the present tax and had adjusted itself to it.

This, in my opinion, is a very weak excuse. If the change were made, all that business would have to adjust itself to would be to an 18-percent tax instead of a tax of from 16½ to 19 percent. That would not be much of an adjustment, and I am sure business would be glad to do it in order to get rid of the vicious undistributed-profits tax principle which it has so vehemently opposed.

Moreover, it seems rather strange for the Democratic majority to be so solicitous about making retroactive tax changes. They were not so solicitous in 1936 when they passed the undistributed-profits tax late in June and made it retroactive to January 1. That bill involved a complete and revolutionary change in the method of taxing corporations. It imposed penalty rates running up to 27 percent on corporations which for any reason desired or had to retain their net earnings rather than distribute them to stockholders. These penalty rates were imposed on top of a normal corporation income tax.

The Democratic majority did not worry then about upsetting business by a retroactive tax change which required a great deal of readjustment on the part of business.

Business wants the undistributed-profits tax wiped out now. Everyone had expected that this would be done. There is no excuse for not doing it, aside from the desire on the part of the Democratic majority not to offend the President by accelerating the expiration date of the unsound tax which he so strongly espoused. That is the real reason why the tax is not being repealed retroactively.

There also is no excuse for not making the loss carry-over provision effective with respect to 1939 income, so that business concerns which had losses last year could offset them against any taxable gains this year. Under the bill the benefit of this provision is deferred until next year.

It allows business concerns, in figuring their net profit in 1940, to subtract 1939 losses, but this gives business no immediate benefit. Its first effect will be felt when returns are filed in March 1941, covering 1940 income.

We of the minority propose to make the loss carry-over provision effective this year, so that business concerns will get the benefit when they pay their taxes next March on 1939 income.

No good reason can be advanced for deferring this relief. Business needs it now, not next year.

The only excuse given by the Democratic majority for not making the carry-over provison effective now is that the change in the income tax is not effective until next year, and they are counting on the increased revenue from the 18-percent tax to offset the loss of revenue from the loss carry-over. This argument falls to the ground if the 18-percent rate is put into effect this year as the Republican minority advocates. We propose to tie the two propositions together.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. CRAWFORD. In connection with the proposal that is being submitted, if losses are incurred by a corporation in the fiscal year 1938–39—not the calendar year—can those losses be carried forward into the 1939–40 fiscal year?

Mr. TREADWAY. Not if they were incurred in a taxable year beginning prior to January 1, 1939.

Mr. CRAWFORD. Does the bill carry relief for proprietorships and partnerships as well as corporations?

Mr. TREADWAY. Perhaps I will take the balance of my time and speak on that very point. That matter has a very interesting history. We were suddenly informed in the Ways and Means Committee that this bill would be confined to corporations. We were very much astonished at it because we had the pleasure of hearing Secretary Morgenthau, who did not advocate that program. He made reference to partnerships and individuals in business, and all of a sudden it was decided that the great haste necessary in this most important matter required cutting out everything but corporations. The minority members objected most seriously. I moved in the committee that we take up the general subject matter of tax revision, even if it required our presence here during the entire summer period. That was voted down on a strictly partisan vote—10 Republicans voting for a general study of the subject of taxation and 15 Democrats voting against it.

It will be noted in the reported print of the bill that there is a committee amendment extending the benefit of the loss carry-over provision to all business losses, not simply corporate losses.

When the bill was before the tax subcommittee, I offered this same amendment, but it was defeated on a party vote. I contended that to confine this relief to corporations was

indefensible and that the small businesses operated by individuals and partnerships were more in need of it than the big corporations.

The next day the subcommittee was to report the bill to the full Ways and Means Committee. All the Republican members of the committee were in their seats around the committee table promptly at 10 o'clock, but no Democrats were in evidence. Finally, about 10:15, they began to show up. They had been holding a private meeting and apparently were worried about trying to defend their action in restricting the loss carry-over provision to corporations.

I was prepared to again offer my amendment which had been voted down in the subcommittee the day before, but I never had an opportunity to do so. Our Democratic friends had realized their mistake and an amendment along the lines of the one I had offered the day before was promptly proposed by one of their members, and unanimously adopted.

This is just another illustration of how the Democrats consistently oppose and vote down Republican proposals and then eventually come to adopt them. The only difference is that this time it did not take them very long to be converted.

Therefore this loss provision is included in the bill as an amendment, brought in after the bill was in print.

Mr. WOODRUFF of Michigan. Mr. Chairman, will the gentleman yield?

Mr. TREADWAY. I yield.

Mr. WOODRUFF of Michigan. The gentleman will agree that the motion, when it was proposed by the majority side, received the unanimous vote of the committee?

Mr. TREADWAY. Oh, yes; finally. They changed their minds overnight, and we welcomed the change. It was a mighty quick move, but it showed a little sense on the part of the Democratic majority. [Applause.]

Mr. Chairman, I do not propose to go into the other details of the bill as they are fully explained in the committee report and they all have our support. There is, however, one other matter to which I desire to refer, and that is the need for a thoroughgoing revision of the tax structure.

During the hearings on the present bill, I called to the attention of the Secretary of the Treasury a joint resolution I had introduced proposing the creation of a Federal Tax Commission for the purpose of making a study of our tax system with a view to recommending changes.

I insert at this point certain extracts from the hearings covering my discussion of the proposal with the Secretary.

Mr. TREADWAY. In view of the fact that you suggest the creation of a small commission, don't you think that there are serious questions involved in the whole tax picture that would deserve an investigation by a nonpartisan commission?

Secretary MORGENTHAU. Well, Mr. TREADWAY, I made this suggestion in order to raise a question which I think is a very important one. And just how Congress, in its wisdom, will handle it, naturally I will leave to them. But ever since I have been in the Treasury I have felt that this question of overlapping taxes is one of the important ones, and I take the liberty of bringing this to the attention of Congress so that you really might do something about it.

Mr. TREADWAY. Well, the modesty of Mr. Jenkins leads me to exhibit a similar modesty, but I call your attention to a measure which I introduced in two Congresses. In the last Congress I introduced a resolution, and repeated it in the Seventy-sixth Congress, extending this Commission's study on a broader scale than what you are suggesting here. Therefore, I would like to ask that House Joint Resolution 35 of the Seventy-sixth Congress also be given the attention of your experts, wherein it is stated:

"It is hereby declared to be the policy of the Congress—

"(1) To establish a stable, more permanent Federal tax policy."

You would agree that that is desirable, would you not?

Secretary MORGENTHAU. Yes.

Mr. TREADWAY. Then, in the second place—

"To raise the necessary revenue for the support of the Government with the least possible burden on individual taxpayers and business enterprises."

I take it this very statement you are making to us this morning is along that very line, is it not?

Secretary MORGENTHAU. I think both aims are laudable.

Mr. TREADWAY. Thank you. Then—

"(3) To give due regard to the natural economic law of diminishing returns in fixing tax rates."

You would approve of that, would you not?

Secretary MORGENTHAU. Yes.

Mr. TREADWAY (reading):

"(4) To base Federal taxes, insofar as may be practicable and expedient, upon the principle of ability to pay."

That is a good policy of the Government, is it not?

Secretary MORGENTHAU. Excellent.

The CHAIRMAN. It sounds like the Democratic platform.

Mr. KNUTSON. It does sound like it, but Mr. TREADWAY wants to carry it into effect.

Mr. TREADWAY. Then—

"(5) To eliminate insofar as may be possible indirect and hidden taxes."

Is there anything worse in our whole tax program than hidden taxes?

Secretary MORGENTHAU. I think we can agree on that.

Mr. TREADWAY (reading):

"(6) To simplify the Federal tax system, including the forms of taxation, the statement of the law, and the methods of administration."

Those are all laudable purposes, are they not?

Secretary MORGENTHAU. Very.

Mr. TREADWAY (reading):

"(7) To alleviate hardships and inequities in the application and administration of the internal-revenue laws."

That is a good doctrine?

Secretary MORGENTHAU. Yes.

Mr. TREADWAY (reading):

"(8) To minimize double taxation by coordinating the Federal tax system with those of the State and local governments."

That is exactly what you are recommending, is it not, in this small board you recommend setting up?

Secretary MORGENTHAU. Yes, sir.

Mr. TREADWAY. So that you approve of that?

Secretary MORGENTHAU. Yes, sir.

Mr. TREADWAY (reading):

"(9) To prevent tax avoidance."

That is the objective of all of us?

Secretary MORGENTHAU. It is.

Mr. TREADWAY. And—

"(10) To make such other changes as will improve the Federal internal-revenue system."

Secretary MORGENTHAU. Fine.

Mr. TREADWAY. Those are the declarations of policy. Then this modest bill of mine, timidly offered for your comment at this time, goes on to set up a Commission composed of two members of the Senate Finance Committee, two members of the Ways and Means Committee, and six members, none of whom hold any office in the Government of the United States or are engaged in activities of any political party, to be chosen by the President.

Secretary MORGENTHAU. Very good.

Mr. TREADWAY. That is a good board, isn't it?

Secretary MORGENTHAU. It sounds very good to me.

Mr. TREADWAY. Then, so far as I can see—the rest of it is more or less detail, method of procedure, and so on—so far as I can gather from your responses to my inquiries, you and I are in hearty accord as to the desirability of setting up such a nonpartisan commission.

Secretary MORGENTHAU. If I again might answer, it seems that you and Mr. JENKINS, the President, and I are all in accord.

Mr. TREADWAY. It looks very like it, and I am very glad to have you come around to our way of thinking.

Mr. Chairman, I would like to ask that my resolution be inserted in the record at this point.

The CHAIRMAN. That may be done.

(H. J. Res. 35, introduced by Mr. TREADWAY, is as follows:)

"[H. J. Res. 35, 76th Cong., 1st sess.]

"Joint resolution establishing a Federal Tax Commission, and for other purposes

"*Resolved, etc.*, That it is hereby declared to be the policy of Congress—

"(1) To establish a stable, more permanent Federal tax policy.

"(2) To raise the necessary revenue for the support of the Government with the least possible burden on individual taxpayers and business enterprises.

"(3) To give due regard to the natural economic law of diminishing returns in fixing tax rates.

"(4) To base Federal taxes, insofar as may be practicable and expedient, upon the principle of ability to pay.

"(5) To eliminate insofar as may be possible indirect and hidden taxes;

"(6) To simplify the Federal tax system, including the forms of taxation, the statement of the law, and the methods of administration;

"(7) To alleviate hardships and inequities in the application and administration of the internal-revenue laws;

"(8) To minimize double taxation by coordinating the Federal tax system with those of the State and local governments;

"(9) To prevent tax evasion and avoidance; and

"(10) To make such other changes as will improve the Federal internal-revenue system.

"SEC. 2. There is hereby established a Federal Tax Commission (hereinafter referred to as the 'Commission'), to be composed of 10 members, as follows:

"(1) Two members who are members of the Committee on Finance of the Senate, one from the majority and one from the minority party, to be chosen by such committee;

"(2) Two members who are members of the Committee on Ways and Means of the House of Representatives, one from the majority and one from the minority party, to be chosen by such committee;

"(3) Six members (none of whom holds any office in the Government of the United States or is engaged in the activities of any political party) to be chosen by the President, by and with the advice and consent of the Senate, one of whom shall be representative of agriculture, one of labor, one of business and industry, one of individual taxpayers and consumers, one of tax lawyers and accountants, and one of tax economists.

"SEC. 3. It shall be the duty of the Commission—

"(1) To make such investigations as it may deem necessary or advisable in order to carry out the purposes of this resolution;

"(2) To publish from time to time, for public examination and analysis, proposed measures for carrying out the policy of Congress herein expressed; and

"(3) To report to the Congress from time to time, and in any event not later than January 3, 1942, the results of its investigations, together with such recommendations as it may have to make.

"SEC. 4. (a) The Commission shall meet and organize as soon as practicable after at least a majority of the members have been chosen, and shall elect a chairman and a vice chairman from among its members, and shall have power to appoint and fix the compensation of a secretary and such experts and clerical, stenographic, and other assistants as it deems advisable. A vacancy in the Commission shall not affect the power of the remaining members to execute the functions of the Commission, and shall be filled in the same manner as the original selection.

"(b) The Commission is authorized to hold hearings and to sit and act at such places and times, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to have such printing and binding done, and to make such expenditures, as it deems advisable. The cost of stenographic services in reporting such hearings shall not be in excess of 25 cents per hundred words. Subpenas for witnesses shall be issued under the signature of the chairman or vice chairman.

"(c) The Commission is authorized to utilize the services, information, facilities, and personnel of the departments and agencies in the executive branch of the Government, of the Joint Congressional Committee on Internal Revenue Taxation, and of the office of the Legislative Counsel.

"(d) The Commission shall have the same right to obtain data and to inspect returns as the Committee on Ways and Means of the House of Representatives or the Committee on Finance of the Senate, and to submit any relevant or useful information thus obtained to the Congress.

"(e) The members of the Commission shall serve without compensation for such service, but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(f) There is hereby authorized to be appropriated so much as may be necessary to carry out the purposes of this resolution. Amounts appropriated for the expenses of the Commission shall be disbursed by the Division of Disbursement, Treasury Department, upon vouchers approved by the chairman or vice chairman.

"(g) All authority conferred by this resolution shall terminate on the expiration of 3 years from the enactment of this resolution."

* * * * * * *

Mr. TREADWAY. Just one further reference, if I may, Mr. Secretary. May I ask that House Joint Resolution 35, which we discussed earlier, be given consideration by your Department?

Secretary MORGENTHAU. We will be very glad to give it consideration.

Mr. TREADWAY. And a report made to the committee.

Secretary MORGENTHAU. Delighted.

My purpose in calling attention to my joint resolution at this time is to emphasize the need for a complete revision of our whole revenue system. Piecemeal revisions such as the present bill are all right insofar as they go, but they do not begin to touch the real problem.

In our minority report on the pending bill we suggest the need for an interim study so that at the next session other necessary adjustments in the law may be promptly made. In addition to this interim study, there is need for a broad, long-range tax revision in accordance with the principles set forth in my joint resolution, which the Secretary of the Treasury has endorsed 100 percent.

In conclusion, Mr. Chairman, let me sum up my position on the pending bill:

First. I am opposed to the continuation of the nuisance taxes for the reasons stated.

Second. I favor the tax-relief provisions of the bill as far as they go, but favor making them effective now instead of next year. [Applause.]

The CHAIRMAN. The time of the gentleman from Massachusetts has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield 15 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, at the outset of my remarks I want to pay tribute to the Treasury Department for the very fine work it has done in connection with the recommendations to the subcommittee and to the full committee with reference to the pending bill. Also, for the fine collaboration that it has evidenced in connection with the work of the committee. I want to pay tribute to Secretary Morgenthau for the great work he has done as Secretary of the Treasury. I know of no man in public life who has advanced and grown daily more rapidly than Secretary Morgenthau. Today he stands as one of the strong Secretaries of the Treasury in the history of our country. [Applause.]

I also want to pay tribute to the Under Secretary of the Treasury, John W. Hanes. Mr. Hanes is one of the outstanding businessmen of our country, a man who resigned from at least 30 directorships in business corporations and who left his own field of business activities to enter into the public service of the country, a man of sound mind, a man who has profound common sense. His willingness to leave the serious responsibilities of his own business to enter into public life at great sacrifice to himself is an example to all others, and particularly to many businessmen who are similarly situated.

I listened with a great deal of interest to my distinguished friend the gentleman from Massachusetts [Mr. TREADWAY]. He rather tried to take issue, although he could not, with the statements made by the gentleman from Tennessee [Mr. COOPER] about the tax savings that have been brought about through the Social Security Act that just passed the House. The gentleman from Massachusetts said "it was a saving insofar as any tax is in the future." What is any such tax saving but a saving of future taxes? If we provide for the reduction of an existing tax today the saving would take place in the future, and the saving would be the difference between what is imposed under the reduced tax and what the taxpayer would have had to pay under existing law, if it had been continued, so the gentleman from Massachusetts in his effort to try to get away from even admitting that the Ways and Means Committee, Democrats and Republicans, and I give them both credit—I am not so partisan as to deny credit where credit is due—in his attempt to get away from giving the Ways and Means Committee, in his case the Democratic members, credit for tax savings of $1,710,000,000 during the next 3 years by reason of the amendment of the Social Security Act which passed the House—his very reason for it is an admission that the statement made by the gentleman from Tennessee [Mr. COOPER] is correct. Every one of us knows, of course, that if we reduce taxes we are saving the payment of future taxes the taxpayer would have to pay if the legislation reducing taxes had not been enacted into law.

Oh, we heard from a Member from Illinois referring to President Roosevelt as the "great spender." What about the human resources of this country? Oh, it amuses me—yes; it makes me bilious at times—to hear men take the floor of the House and condemn expenditures only to read in the paper about them telling the people back home how much they love them and how they fought and voted for their interests. Oh, they tell the worker who is unemployed, "I am with you," but when they are in the well of the House they speak against them, and when the roll is called they vote against them. Back home, however, they tell them how much they think of them in their distress, how much they fought for legislation, but "I was for it, with reservations." Oh, yes. Whenever they get a letter from somebody condemning them for voting for the bill, here is what they said I say in my speech: "I was for it with reservations; my reservations were such and such. I agree with you in your position." When somebody writes

urging them to vote for the bill after they have already voted they write back and say, "I voted for the bill." They play both ends against the middle.

Mr. ANDREWS. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield.

Mr. ANDREWS. I have been very much interested in the excellent statement the gentleman is making. I am wondering if the gentleman would vote to overrule a Presidential veto of this bill if one is made.

Mr. McCORMACK. Yes. The gentleman probably remembers that last year the gentleman from Massachusetts who is now speaking led the fight against the "third basket." I have some rather fixed views on taxation. I do not believe, no matter which party is in power, that tax legislation should be passed that interferes with the legitimate exercise of individual initiativeness. I believe our surtaxes are too high. I believe our capital-gains tax should be reduced. I believe that venturesome capital is necessary. I like to see capital invested in productive enterprise. I want to see idle money put to work to employ idle men. Tax legislation can be a deterrent or, on the other hand, it can be an inducement. This, in a general way, sets forth my views on taxation. I am glad the gentleman asked the question, because, if this bill were vetoed, I would vote to override the veto.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. Briefly.

Mr. KNUTSON. I am glad to say that the gentleman from Massachusetts is a very valuable member of the Ways and Means Committee and has an excellent record for favoring a lowering of all taxes.

Mr. McCORMACK. I thank my distinguished friend. I believe it is a good thing to have the people tax conscious. I would like to balance the Budget.

There is no disagreement in this respect, but there might be disagreement as to the method. I do not like to talk too strongly and I do not like to hear others speak too strongly. I do not like to see persons characterized. It is a sign of weakness of argument. Every one of the Members of the House has as much regard for the unemployed as I have. We all want to attain the same objective. However, I like to see consistency in promise and vote.

Mr. O'CONNOR. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Montana.

Mr. O'CONNOR. I want to ask a question about our big fortunes.

Mr. McCORMACK. Let us not get into the big fortunes.

Mr. O'CONNOR. These big fortunes go into tax-exempt securities. What prospect have we for having a tax on the income derived from tax-exempt securities?

Mr. McCORMACK. I do not think there is a burglar's chance this year.

Mr. O'CONNOR. What is the trouble?

Mr. McCORMACK. The lateness of the session and the serious questions involved are the main reasons. In the first place I do not know whether I would vote for such a bill or not. I do not know whether I would vote to impose a hundred million dollars in extra interest upon the Federal, State, and local Governments. But my mind is open. I have my own opinion, but, as I stated, my mind is open to the extent I keep it open on any legislation. However, I do not want to get into that now. I want to make a few observations on the minority views.

In the first place, it is entitled "Tax revision, a Republican victory." What I say has no application to the Republican Party as such. However, in my 11 years in the House I have never seen a minority view presented from a party angle. This is the first time I have seen a committee report used for direct political purposes. Of course, it can be done, but the question is, should it be done? I like to see politics fought in the well of the House; hit hard but hit clean. I do not like to see a report used as this report has been used.

I made a report last year on a tax bill. I did not make it as a Democrat. I made it in my own right as a Member of the House. I can talk politics here and I can talk politics outside. But when I make a report I am not going to put strict partisan politics, a political piece of propaganda, into a committee report. I have too much regard for the dignity of a committee report to do that.

Let us analyze a few of the things stated here. The gentleman from Massachusetts complains we did not pass the excise-tax resolution; then he condemns it. He says they should not pass. Why, these excise taxes were put on in 1932. We were trying to write a tax bill then upon the recommendation of former President Hoover. The late Secretary Mills appeared before the Ways and Means Committee. These excise taxes were applied in 1932. I am not going to criticize the Republican Party for doing that in 1932. There was an exigency then. The Republicans did not want them any more than we want to continue them now, but the fact remains the money was needed, and the fact remains the money is needed now. Common sense tells us we have to extend them. I am not going to criticize the Republican Party for putting them in. I am calling to the attention of the Members of the House the fact that the minority Members undertake to condemn the Democratic members of the Ways and Means Committee for extending the taxes that were put on during a Republican administration.

Mr. KNUTSON. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Minnesota.

Mr. KNUTSON. If the gentleman from Massachusetts [Mr. McCORMACK] will read the report carefully, he will see that the minority commends the majority for coming around to the minority views.

Mr. McCORMACK. I have read the minority report and I will leave it to any disinterested Member of the minority party, not for public expression, but for private expression, as to whether they think that is a real minority report or a piece of unadulterated political propaganda.

Mr. Chairman, what I say is impersonal. I do not want any misunderstanding as to my state of mind.

Let me go a step further. The minority condemns us for the 2-year carry-over and state it should be retroactive to 1938 losses. Do you know that in 1932 the 2-year carry-over of losses was reduced to 1 year upon the recommendation of the late Secretary Mills? The Republican Party is just as much to blame as the Democratic Party for the present situation of no carry-over. In 1933 the Democratic Party eliminated the 1-year carry-over. We are both to blame. We both should get the credit for trying to bring back the 2-year carry-over of net operating losses, yet the minority report has the affrontery to state a half truth. You and I know that invariably a half truth is worse than a direct lie.

Mr. CRAWFORD. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Michigan.

Mr. CRAWFORD. While the gentleman from Massachusetts [Mr. TREADWAY] was on the floor I inquired about fiscal-year loss carry-overs. Can the gentleman tell me whether or not this bill permits the losses of a company operating in the fiscal year 1938–39 to carry losses forward to the 1939–40 fiscal year?

Mr. McCORMACK. No. I am glad the gentleman asked that question. If we were to go back and allow a carry-over of losses for 1939 and apply the 18-percent rate this year, corporations would pay more this year than they will under existing law. If we were to allow 1938 losses to be carried over as against 1939 gains, we would also have to consider in connection with that the 18-percent normal tax and the $2,000 limitation on corporate capital gains that we have eliminated. Yet, the Republican members of the Ways and Means Committee have failed to take that into consideration. Furthermore, most corporations on 1938 business have already paid their taxes. I can safely say that practically all of them have. What we decided to do was to give a clean bill of

health and let the losses for 1939 start in 1940; let the carry-over start as against 1939 losses, that being the fair and equitable thing to do.

In connection with the 18-percent normal tax there is also taken into consideration the carry-over of losses and the elimination of the $2,000 limitation on corporate capital gains. So all that is a completed picture.

My Republican friends attack this course. As a matter of fact, the gentleman from Massachusetts [Mr. TREADWAY] talks about things that happened in the executive sessions. He does not tell you that when he made the motion to impose the 18-percent tax he incorporated with the motion the provision that it should apply to 1939 losses. It happened to be the pleasure of the gentleman from Massachusetts who is now speaking to call to his attention the fact that if his motion carried it would very sharply increase the taxes corporations would pay for 1939 under his motion if enacted into law.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield for a question?

Mr. McCORMACK. I yield to the gentleman from Michigan.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 additional minutes to the gentleman from Massachusetts.

Mr. CRAWFORD. May I summarize my question in this way: As the bill comes to us, then, the undistributed-earnings tax will apply against 1938–39 fiscal year operations.

Mr. McCORMACK. The 1938 fiscal year, of course, laps over into 1939.

Mr. CRAWFORD. Can proprietors and partnerships and corporations apply calendar year 1939 losses against calendar year 1940 profits?

Mr. McCORMACK. Exactly. If on a fiscal basis, it will operate on 1939 fiscal year on the carry-over of losses.

Mr. CRAWFORD. To the point of exhaustion.

Mr. McCORMACK. Yes, absolutely.

We are all concerned about the problems that confront us. We are all concerned about the tax question. The tax question in days of prosperity is of minor concern to legislators, although not of minor concern to businessmen. The easiest thing in the world is to legislate when times are prosperous, for very few great public problems arise then. About the only serious problem concerning legislators, then, is to stop unnecessary expenditures and to have the courage to do so. It is in times of depression that serious problems arise, and it is in times of depression that the ratio of taxes to national income is felt more keenly because the ratio of taxes to national income is higher in a period of depression than in a period of normal or progressive business activity.

Just to illustrate, the cost of government is not confined to the Federal Government alone. Our State and municipal governments collect in taxes far more each year than does the Federal Government. I do not express this as a condemnation of any mistakes on the part of the Federal Government but to illustrate that the tax question is not alone a Federal question; it is a State question; it is a city question. The local taxes are usually more burdensome because they apply to property, and such taxes must be paid whether there is a profit or a loss. The Federal taxes apply generally on income.

In conclusion, Mr. Chairman, this bill is a sound bill. It corrects some of existing detriments and irritants. Further study will be made for further corrections. The bill has been considered thoroughly by the Ways and Means Committee, and it should pass by an overwhelming majority. Its passage will be helpful to business. [Applause.]

[Here the gavel fell.]

Mr. JENKINS of Ohio. Mr. Chairman, the gentleman from Massachusetts [Mr. TREADWAY], who has charge of the time, is temporarily absent from the room and has left the time in my charge and asked me to proceed at this time; therefore, I yield myself 10 minutes.

Mr. Chairman, I am not at all surprised that my good friend from Massachusetts [Mr. McCORMACK] finds himself very much exercised and disconcerted at the statements contained in the minority report. Nothing disconcerts quite as much as being told the cold truth when you wish it was not true. For the few minutes assigned to me I am going to speak, first, directly to the Republicans. Of course, if the Democrats want to listen, it is all right, because if they had listened to us 2 years ago they would have been much better off today.

The minority report, which is a document of which any Republican might be proud, states this—and the justification for it I will tell you in a minute:

> Insofar as the bill proposes to modify existing taxes which act as business deterrents, it represents another victory for the Republican minority and another retreat by the New Deal.

The justification for this statement is that it is true. It is the simple unadorned truth.

It cannot be gainsaid and it cannot be denied. It is a truth that ought to be told. Proclaim it from the housetops if you wish, for it will always be the same bright truth. It is a truth that you Republicans can tell with a great deal of pride. You can talk about it and you can speak about it. It is a truth that disconcerts you Democrats, but you need not feel completely abased about it, for you did have it in your heart to change the law last year, but your fear of the displeasure of your master was greater than your courage. You wanted to repeal the undistributed-profits tax, but your courage failed you. We Republicans did not vote for last year's tax bill because it contained a very serious defect. It did not abandon the nefarious undistributed-profits tax. You Democrats made a fight to do away with that tax. You felt in your hearts and in your minds that it ought to be done away with, and as a gesture you cut it down from 27½ percent to 2½ percent. However, you did not have the courage to strike it out. Why? Because you were afraid of the man at the other end of the line. You did not strike it out, but you had the courage to reduce it from 27½ percent to 2½ percent under the spur of Republican complaint. When you reduced it, the President was too petulant to approve your actions. What did he do about it? How did he react when you made that reduction and rendered his pet piece of punitive legislation innocuous? He did something to you for which he ought to be forever ashamed.

He slapped you in the face. He would not and did not sign the bill. He pouted and refused to play the game. Like a spoiled child, he would not play. He would not sign the bill; neither would he veto it. That was a strange attitude for a President of the United States to assume. Here is the very unusual case of the President, holding the highest position in the gift of the people of this country—the highest position in the world—refusing to give any heed to a coordinate branch of the Government and the leaders of his own party; refusing to accept or reject their work which they had performed so willingly for him; refusing even to reply to them recognizing their work in any way; choosing rather to make it appear that their work was not superior to the work of school children, for he went before a little group of high-school children out here in some little town in the outskirts of Washington and there delivered his veto message. He told them in simple language that the Congress of the United States under the leadership of the great Ways and Means Committee had passed a tax bill and that it was not good enough to sign and too bad even to veto. In other words. he told them in effect that he did not care what Congress did. At that time we advocated that you Democrats ought to do away with this nefarious undistributed-profits tax. You new Congressman should know what we did at that time. We, a small but militant minority, fought valiantly to have this nefarious tax repealed. They rejected our entreaties, but now they have come to the place that they must admit their error. They went as far as they could, but they would not dare strike it out.

What have they done today? They have today refused to repeal the undistributed-profits tax. They should do it in

this bill. You Democrats have absolutely refused to step up manfully and do away with it. Why? Because you are afraid of the man at the other end of the line, so you are going to let the tax die by expiration of law. You are just going to let it die a natural death, because it does not extend beyond January 1, 1940. The President does not have the courage to admit his egregious sins against the taxpayers, and you do not have the courage to defend it. Why? Because it is indefensible. I say to my good Republican friends, go back to your people and say that what has been written in this minority report is true. Tell them that the best things in this bill that we are considering today have come about because of Republican suggestion. Last year not a single Republican on the Ways and Means Committee voted for the tax bill. Why? Because we took the position that as long as the bill recognized this principle of the undistributed-profits tax we could not vote for it. So I say again to the gentleman from Massachusetts that the truth is our shield and buckler.

Another reason we stood against the 1938 tax bill was that we had taken the position that until the administration reduced expenditures we would not vote any more increased taxes.

The reason we vote for this bill today is that they have taken the position by their silence that they are going to let the undistributed-profits tax die. They have not said a word in here about it, and it dies with the end of this year. They have surrendered; they have capitulated; but they have not had the courage to stand up and say that they made a mistake. We are saying right here and now that they made a mistake, and they are recognizing it, although they will not come forward and strike it out.

Our other reason, as heretofore stated, for voting against the bill was that we would not vote for additional taxes until the administration showed a disposition to reduce expenditures.

Although they have not reduced expenditures, but, on the other hand, they are increasing them every day, still we Republicans feel constrained to vote for this bill, because the Democrats have got the country into such a shape that we must take care of the increasing millions of those who are needy. We must bear with it now while we wait patiently for the day when we hope that the good sense of our people, guided by a kind Providence, will rid us of this plague that has well-nigh exhausted our patience as well as our substance. [Applause.]

This bill has some good features, because it will permit the undistributed-profits tax to die, for one thing; and it does another thing, in that it gives the taxpayer the advantage of this carry-over provision. I am not going into detail and discuss that feature with you, but it does give a corporation a chance to come forward and balance its losses against its gains, and that is a very fine thing to do in these distressful times.

Mr. Chairman, I have no further remarks to make, but inasmuch as I yielded myself my own time I want to ask the privilege of revising and extending my remarks.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield for a question?

Mr. JENKINS of Ohio. I gladly yield to the gentleman, because I know he will ask an intelligent question.

Mr. CRAWFORD. As I understand this proposal, corporations with incomes of $25,000 plus will not have to pay a capital-stock tax?

Mr. JENKINS of Ohio. No; I do not understand that that is the case. No change is made with reference to the capital-stock tax.

If they had passed my bill, it would have done away with the capital-stock tax, but they did not do that. I introduced a bill about 4 months ago that provided for the repeal of the undistributed-profits tax and the capital-stock tax and the excess-profits tax, and provided for a flat corporation tax. This would have reassured business.

Mr. CRAWFORD. Let me put the question in this way: If this bill is adopted, do corporations with incomes of $30,000 or $40,000 or $50,000 a year have to continue to pay a capital-stock tax?

Mr. JENKINS of Ohio. Yes.

Mr. CRAWFORD. And undistributed earnings tax?

Mr. JENKINS of Ohio. They will for this year; yes.

Mr. CRAWFORD. Undistributed-earnings tax does not apply after January 1, 1940.

Mr. JENKINS of Ohio. That is right.

Mr. CRAWFORD. And excess-profits tax?

Mr. JENKINS of Ohio. They pay that.

Mr. CRAWFORD. They continue to pay that?

Mr. JENKINS of Ohio. There is no change made in that respect.

Mr. CRAWFORD. What does the 18 percent against corporation income replace or displace or substitute itself for?

Mr. JENKINS of Ohio. As I understand, there was a sliding scale starting, I think, with 12½ percent and running up to 16½ percent, and this 18 percent applies, as I understand it, to every corporation with net earnings of over $25,000. They pay a flat tax of 18 percent.

Mr. CRAWFORD. A great many have been misled into the belief that the corporations are to pay a flat 18-percent tax in lieu of undistributed earnings, excess-profits and capital-stock taxes, and, as I understand, that is not true.

Mr. JENKINS of Ohio. No, that is not true. Our principal fight was to try to make these changes applicable for this year, but we failed. We expect by our motion to recommit to see whether the House will refuse to make these changes applicable to 1939 and not waiting until 1940. Now is the time to repeal and reduce these deterrent taxes.

Mr. Chairman, I yield back the balance of my time. [Applause.]

Mr. REED of New York. Mr. Chairman, I yield 7 minutes to the gentleman from Illinois [Mr. DIRKSEN].

Mr. DIRKSEN. Mr. Chairman, I take as my text the statement in the committee print on page 3 of the committee report which reads as follows:

> While one purpose of the bill as reported is to stimulate business activity, the committee has sought to accomplish this without endangering the productivity of the existing tax structure.

I believe the Committee on Ways and Means has moved in the right direction in the pending bill to revise taxes, but did not move far enough.

For 6 years and more we have sought the key to recovery. Spend, says one group. Economize and reduce taxes, says another. We have tried spending and it has failed to produce results. To the economizers the President hurls the challenge, "Where would you cut?"

So we continue to spend without results and the debt and deficit mount.

Business and venture capital toward which all eyes are cast for a solution of the problem and relief from our despair notes the increased spending, the mounting deficit, and the mounting debt, and then retreats into its shell. It sees nothing ahead but new taxes to meet, new expenditures. Resolutions are passed calling on Congress to revise taxes downward so that business can go ahead and create jobs. Congress and the President answer by saying that tax irritants can be removed, but the revenue must not be reduced. To reduce it means a larger deficit, more borrowing, and a larger debt. So what?

Removing irritants are all right, but it brings no substantial relief. It is tantamount to removing a cinder from a man's eye as he goes down into the water for the third time. It is like saying that it will be all right for him to drown, but let him have a comfortable demise. The country needs more than a painkiller. It needs a remedy.

The whole web of circumlocation is intriguing. Reduced taxes mean larger deficits; deficits mean increasing borrowing; increased borrowing means a larger debt. A larger debt means increased apprehension. Increased apprehension over the future means curtailed activity; curtailed activity means fewer jobs; fewer jobs mean more relief; more relief means more spending; more spending means more taxes;

more taxes—but what is the use. We are back where we started.

Several things are clear in this picture. We cannot balance the Budget this year or the next or the next. A balanced Budget means increased taxes or reduced spending or both. Yet we are seeking to provide recovery incentives by reducing taxes. As for spending, look at the record of this Congress. How much difference would it make if the Budget were unbalanced a little further for a period of 1 or 2 years? If it makes little difference why not a real, heroic adventure in an effort at recovery by ignoring the revenue and granting real, substantial tax relief?

Business insists that tax reduction must precede recovery and employment upturn. Why should not we, the Congress, take a chance? One year would suffice as a test. Why not reduce the corporate tax rate as a challenge to business and industry? A drop from 18 percent to 15 percent would diminish the revenue by less than $200,000,000 per year on corporations with incomes in excess of $25,000 per year. That would mean a corresponding increase in the deficit. We might even go further. Congress proposed to unbalance the Budget by twice that amount when it passed the agricultural appropriation bill and wrote in $381,000,000 over the Budget. The House added $19,000,000 over the Appropriation Committee's recommendation for N. Y. A.

For the various departments and independent offices we have gone over the Budget and added to the deficit. Shall we then be so squeamish about adding a little more and affording real rather than fanciful relief? If we increase the deficit with such impunity by spending, why not with equal impunity increase it a little more but actually make substantial progress in the field of tax reduction?

For 6 years this subject has been bandied about by Government, by business, and by industry, and by economists without real action. Here is an opportunity to take business at its word. If it works it will be the best thing this Congress ever did. If it fails we will be little worse off than we are now. Is the Congress game? Is it willing to take a chance?

I wonder if the Congress is game and whether it is willing to take a chance to reduce these rates so we will have substantial rather than fanciful tax reduction, which does not actually reduce the revenue and removes only a few irritants. I think this is the greatest challenge that will come before the Seventy-sixth Congress during this session. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 9 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, I do not know how much in earnest the gentleman from Illinois [Mr. DIRKSEN] was in suggesting that we reduce the corporate rates to 15 percent. We might try that. We do not know what effect it would have except a large revenue loss. None of the gentleman's Republican colleagues on the Ways and Means Committee even suggested that we do that.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. Yes.

Mr. DIRKSEN. With reference to the figure, I talked to Mr. Stam of the committee this morning, and he told me that a reduction of 1 percent on corporations having an income of over $25,000 would make a difference of $50,000,000 to $60,000,000 in revenue, so that a reduction of 3 percent would work out to about the amount I stated.

Mr. DISNEY. The majority of the committee, including the Republicans, decided it was not a safe proposition to attempt to reduce the rate to 15 percent, and there was no serious objection on the part of the Republicans to raising the rate to 18 percent, together with the other features of the bill. So, when the committee reported the bill unanimously, with a few little political by-plays in the minority views, it was the substantial judgment of all the committee that the rate be raised to 18 percent.

A day or two ago there appeared in the local press, and I suppose all over the Nation, a suggestion that we broaden the base and lower the exemptions for the middle class of taxpayers. That might at first sound splendid from the standpoint of raising taxes, but it is not actually feasible to invade the pocketbook of the middle-class taxpayer. The whole thing is superficial, when we come to consider the amount of money it would actually raise. By doing that we would raise only about $135,000,000 additional, which does not begin to do anything substantial in the way of balancing the Budget. If we would change the normal tax rate on the individual from 4 to 5 percent and change the exemption for unmarried persons from $1,000 to $800 and for married persons from $2,500 to $2,000, we would raise only $135,000,000. Congress whoops off more money than that almost any afternoon in Congress when it gets ready. The amount does not really mean anything toward balancing the Budget, and I for one am going to view the prospect of levying on the middle-class taxpayer with a good deal of suspicion, and I shall go into the matter very thoroughly before I would subscribe to anything of that kind.

The Chinese have a saying that one picture is worth 10,000 words. To me this chart, prepared by the Treasury Department, to an extent tells why we have 10,000,000 people out of work. The total expenditures for 1938 were $7,691,000,000, Federal; State expenditures, $4,358,000,000—a jump of two billion over 1932; local expenditures for 1938, $6,158,000,000, or a grand total of $18,196,000,000 for the year 1938, when we had a total national income of $65,000,000,000. Therefore, nearly 30 percent of the national income went into taxes. This shows that with the exception of customs nearly every item has some features of double taxation, State and Federal, with a total lack of coordination in the spending of this money.

Of the $18,000,000,000, you will notice that agriculture, with 30,000,000 spending farmers, if they have any money to spend, get $1,000,000,000. In 1916, as I have stated before, on this floor the Federal Government got along with $1,034,000,000 in Federal expenses, with comparably the same population in the Nation as we have now, and in 1938 the Federal Government expended $7,691,000,000.

Individual income was $1,313,000,000, most of it going to the Federal. The corporate income was $1,448,000,000, Federal.

Motor fuel and vehicles, $293,000,000 Federal and $1,163,000,000 State.

Liquor and tobacco taxes were $1,136,000,000.

Sales taxes and other excises were $287,000,000 Federal and $717,000,000 State.

When we add together the total expenses, both State, local, and Federal, for education, highways, agriculture, social security, we have nearly $9,000,000,000. Now, what did we do toward retiring the debt? We paid in Federal interest in 1938 $926,000,000; State interest of $121,000,000, and local interest of $592,000,000, or a total of $1,639,000,000.

On debt retirement we made the heroic effort of reducing the Federal debt $65,000,000. The States retired $135,000,000, and the local governments retired $529,000,000. The Federal Government borrowed $1,449,000,000. The States borrowed $156,000,000; the local governments borrowed $602,000,000.

To me this illustrates the necessity for coordination of our taxing powers as well as reason for changing the situation as relates to overlapping functions, both of expenses and of administration, on the part of the Federal and State governments.

Mr. RICH. Will the gentleman yield?

Mr. DISNEY. I yield briefly.

Mr. RICH. Do you not think we should have coordination between the Appropriations Committee and the Ways and Means Committee, one on the expenditure of our funds and the other income?

Mr. DISNEY. Many of us have always thought that. The Secretary of the Treasury made that recommendation to the committee not 3 weeks ago, and out of his interest, grew the preparation of this chart. He suggested that we do coordinate our activities here; that the Ways and Means Committee of the House with the Appropriation Committee of the House, and corresponding committees of the Senate, should collaborate and, to use his language,

see how much the Nation needs, and how much the Nation can afford to spend.

Further answering the gentleman's question, you will remember that up to the Civil War the Ways and Means Committee was not only the tax-raising committee but was the spending committee. It would be well to have it that way now.

Mr. RICH. If the Secretary of the Treasury just made that statement 4 or 5 weeks ago, after he has been in office for 6 or 7 years, and he has not made a statement before that time, it seems to me it is one of the most outrageous things that ever happened that you have not gotten together long before this.

Mr. DISNEY. Mr. Chairman, I did not yield for such a tirade as this. The gentleman reminds me of what Macbeth said to the witches:

> Say from whence you owe this strange intelligence, or why upon this blasted heath you stop our way with such prophetic greeting.

[Applause.]

Mr. Chairman, I think we can well study this chart and take the figures involved to carry on a definite, constructive program in the direction of a better tax system for the whole Nation.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

Mr. ROUTZOHN. I was wondering if you could get those figures into the RECORD.

Mr. DISNEY. Yes; in my extension of remarks. Copies of these charts will be available in a short while in blotter size for your desk, if you desire them. [Applause.]

Mr. JENKINS of Ohio. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Chairman, whatever can be said for or against President Roosevelt's social program, it is my firm conviction that his financial program as represented in his efforts to bring about recovery is going down in history as the most colossal failure of the century. I listened carefully and intently for nearly 1 hour to his message to the Congress on January 4, and again to his message of April 27. I sincerely hoped that I might hear some new program, some new thought or idea which would finally lead us out of the depression in which we have been for nearly 10 years.

All I heard was the same old philosophy of recovery he has preached now for nearly 6 years—that of trying to borrow and spend ourselves out of the depression. After taking all the political patent medicine in the Marx-Browder-Corcoran-Cohen-Wallace - Ickes - Hopkins patent-medicine chest, the President now offers us the same old medicine without even a change in name, and tells us that the only way to bring us out of the depression is to lift ourselves out by our own boot straps.

Congress will have appropriated more than $65,000,000,000 for the first 7 fiscal years of this administration—a sum that represents nearly 50 percent of the cost of operating this Government during the 144-year period from George Washington down to the New Deal. We will have increased our national interest-bearing debt by nearly twenty-three and one-half billions of dollars from March 4, 1933, to June 30, 1940. It will then have reached an all-time high of nearly $45,000,000,000, representing 34 percent of the assessed valuation of every piece of real and personal property placed upon the assessment rolls by the local assessing officers of the 48 States.

After nearly 6 years of "trial and error"—but mostly error—we find ourselves with nearly as many men unemployed today as we had when we started, and with more individuals and families on relief than when the Roosevelt administration took office on March 4, 1933. The only plan of recovery he advanced in his message was the same old plan of "spending and more spending," "borrowing and more borrowing," which will of necessity be followed by "taxes and more taxes." After 6 years of this type of a program, the President frankly confesses that our national income produced is still $62,000,000,000 or, as he put it, that this is still a "$62,000,000,000 country," and tells us with a look of triumph on his face that he hopes to make it "at least an $80,000,000,000 country." This is indeed a dismal outlook when the history of the past demonstrates that an $80,000,000,000 income produced would, under present conditions, leave us with some seven or eight millions of unemployed and with from fourteen to sixteen millions of people on the relief rolls.

I want to discuss that message today, but before I do so, I think it might be well to take an inventory of the conditions as they exist today. In doing so, I shall quote evidence given either by friends of the administration, by administration officials—taken from their records—or from other impartial sources.

APPROPRIATIONS

Congress will have appropriated for the first 7 fiscal years of the Roosevelt administration an amount equaling 48.5 percent of the assessed valuation of every piece of real and personal property placed on the assessment rolls by the local assessing officers of the 48 States.

The amounts appropriated and to be appropriated, including the amount recommended by the President in his Budget message of January 5, 1939, are as follows:

72d Cong., 2d sess., and 73d Cong., 1st sess., fiscal year 1934 and prior years	$7,692,447,339.17
73d Cong., 2d sess., fiscal year 1935 and prior years	7,527,559,327.66
74th Cong., 1st sess., fiscal year 1936 and prior years	9,579,757,330.31
74th Cong., 2d sess., fiscal year 1937 and prior years	10,336,399,272.65
75th Cong., 1st sess., fiscal year 1938 and prior years	9,356,174,982.92
75th Cong., 3d sess., fiscal year 1939 and prior years	10,928,609,972.02
76th Cong., 1st sess., fiscal year 1940 and prior years (estimated)	10,190,311,483.23
Total appropriated for last 7 fiscal years, including 1940	65,611,259,707.96

DEBT AND TAXES

The records of the United States Treasury show that on February 28, 1933—the last daily statement issued by the Treasury Department before the day President Roosevelt entered office showing the national debt—the national debt was $20,934,729,209.68.

The financial statement of the United States Treasury dated June 15, 1939, shows that the gross debt of the United States Government on that day was $40,349,773,482—an increase of $19,415,044,273 since the Republican Party went out of power. This does not include debts of Government corporations guaranteed by the United States Government. In his recent Budget message the President estimates the national debt at $44,457,845,210 by June 30, 1940.

Receipts, deficit, and national debt for 1920, 1925, and 1930–40

Year ended June 30—	Receipts or taxes and fees paid to Government	Deficit	National debt
1920	$6,694,565,389	+$212,475,198	$24,297,918,412
1925	3,780,148,685	+250,505,239	20,516,272,174
1930	4,177,941,702	+183,789,215	16,185,308,299
1931	3,189,638,632	901,959,080	16,801,485,143
1932	2,005,725,437	2,942,051,451	19,487,009,766
1933	2,079,696,742	2,245,452,980	22,538,672,164
1934	3,115,554,050	3,255,393,297	27,053,085,988
1935	3,800,467,202	3,782,966,360	28,701,167,092
1936	4,115,956,615	4,952,928,957	33,545,384,622
1937	5,293,840,237	3,252,539,719	36,427,091,021
1938	6,241,661,227	4,702,165,600	37,167,487,451
1939 [1]	5,520,100,000	4,072,229,000	41,131,502,010
1940 [1]	5,669,300,000	3,426,363,200	44,457,845,210

[1] Estimated.

Despite the fact that the taxpayers of the United States will have paid into the Treasury from July 1, 1933, to July 1, 1940, the enormous sum of nearly $34,000,000,000, we find that our debt will have increased nearly $24,000,000,000 by July 1, 1940. Dun & Bradstreet's Review for April 1939 shows that the taxpayers of America paid during the fiscal year ending June 30, 1938, $6,028,000,000 Federal, $3,900,000,000 State, and

$4,725,000,000 local taxes, or a total of $14,653,000,000 taxes in 1 year. This is nearly $2,000,000,000 more than the total income produced by all factories and nearly three times the income produced by all the farms in the United States during 1938.

The President in his recent message said the income produced of the Nation was $62,000,000,000 in 1938. This means that the taxpayers of the United States paid in taxes within 12 months a sum that equaled 23.6 percent of the income produced by the entire Nation during 1938.

May I call attention to the fact that much of the State and local spending was encouraged by the Federal Government, and the further fact that Federal aid was and is contingent in many cases on local spending and borrowing.

Summarizing, we find that since February 28, 1933:

First. Congress has appropriated more than $65,000,000,000, including the estimate for the fiscal year ending June 30, 1940.

Second. That our debt will, by June 30, 1940, have reached the colossal sum of nearly $45,000,000,000, with an increase of nearly $24,000,000,000 from February 28, 1933, to June 30, 1940.

Third. That the people of America will have paid nearly $34,000,000,000 in Federal taxes during that time.

Fourth. That in 1938 the total tax bill of America—National, State, and local—amounted to nearly 25 percent of the income produced for that year.

PROGRESS?

In the face of these facts it is a fair question to ask:

First. What progress have we made and how far have we come on the way to recovery?

Second. Have we reduced the number of unemployed?

Third. Have we reduced the relief rolls?

RELIEF AND UNEMPLOYMENT

Col. F. C. Harrington, the W. P. A. Director, in testifying before the Appropriations Committee recently, placed into the record a table showing the number of persons and households receiving various kinds of relief, month by month, from January 1933 to November 1938. This table shows that in February 1933 there were 4,976,000 households and 19,565,000 persons receiving various kinds of relief. His latest record shows that in February 1939 there were 7,278,000 households and 22,781,000 persons receiving various kinds of relief, an increase of 2,302,000 households and 3,216,000 individuals over February 1933.

The American Federation of Labor unemployment figures show that in 1932, the last year the Republican Party was in power, the average number of unemployed was 13,182,000, while the average number of unemployed for 1938 was 10,936,265.

The March American Federationist preliminary figures show that in January 1939 there were 11,523,031 unemployed.

Department of Commerce economists say that in November 1938 there were 54,874,000 persons 15 years old and over employed or seeking gainful occupations.

If we accept these figures as to the number of gainful workers, there was an average of 12,931,000 unemployed for the year 1938 and 13,185,000 unemployed for the month of January 1939. In other words, we had 3,000 more unemployed in January 1939 than the average we had in 1932. The average number of unemployed in 1932 was, according to the American Federation of Labor figures, 13,182,000.

Again summarizing, after spending all this money, appropriating more than $65,000,000,000, and going in debt $24,000,000,000 since March 4, 1933, we find we have about as many unemployed and more people on relief than when we started on this program. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 9 minutes to the gentleman from Missouri [Mr. DUNCAN].

Mr. DUNCAN. Mr. Chairman, I cannot let this opportunity pass without paying my final respects to an old friend. Four years this friend came into existence in this House, a very likely youngster. He has been convicted of being "a tax deterrant" and condemned to be executed on the 31st of December 1939. I am not protesting against this execution because apparently he has outlived his usefulness. I am speaking of the undistributed-profits tax. What I say is not going to be agreed to by a great many Members on either side of this House. Before that youngster even got a start in life he had an arm cut off, and was otherwise maimed and mutilated. He never had a chance in life; he was bemeaned and cussed, slandered and libeled during all that time. No wonder he lost caste and is to die the death of a felon.

I am one who believed and who still believes in the principle of the undistributed-profits tax. I cannot agree with my good friend, the gentleman from Ohio who spoke a moment ago. I believe that an undistributed-profits tax was and is a fair tax. It never had an oportunity to be tried out to determine just what its effect would be. Those of you who were Members of the House in 1935 when we passed the undistributed-profits tax bill will remember that every form of corporation tax was repealed except the undistributed-profits tax: The normal tax, the excess-profits tax, the capital-stock tax, every form of corporate tax was repealed except the undistributed-profits tax.

What is a corporation after all? It is nothing but an aggregation of individuals who by legal fiction are given the right to deal as an individual; and the money the aggregation of individuals turn over to the corporation as a trustee, we might say, is still their money, it is still their funds; and the money those contributions earn are turned back to the people who contributed the capital. Why should not the corporation be placed in the same classification, the same category, as an individual? Why should an individual who makes $1,000,000 be required to pay 79-percent income tax to the Government while the corporation making $1,000,000 pays but 18-percent income tax to the Government, or 15 percent, or 13 percent? That is, if the corporation retains all its earnings and does not distribute them to its stockholders. I can see no very good reason for it. The undistributed-profits tax was intended in a measure to equalize that situation so that a corporation would pay an income tax on that portion of its earnings which it retained. And the distributees would pay on their distributive shares.

Let us not forget that this old friend of mine who suffered so many changes in form and was so much abused, never really did any wrong to anyone. From 1923 to 1935 all the corporations of this country distributed approximately 70 percent of their profits. That class of corporations making $25,000 and above which constitute about 12 percent of all corporations, and which pay approximately 90 percent of the tax, distributed over the same period 75.5 percent, under the Undistributed Profits Tax Act as passed by the House in 1935. If they had distributed those percentages, they would not have paid any more, and many corporations would not have been paying as much taxes to the Federal Government as they were required to pay under the law in effect at the time the Profits Tax Act was passed. So I say there has been a great deal of misunderstanding about it.

When that bill went to the other body it was completely changed. There was imposed a graduated tax, and superimposed upon that was a modified form of undistributed-profits tax; so the true undistributed-profits tax was never put into effect.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DUNCAN. I yield.

Mr. COOPER. I am sure the gentleman will recall that the part of the corporation tax put back in the bill by the Senate which had been left out of the House bill amounted to eight times more than the undistributed-profits tax part of the bill.

Mr. DUNCAN. The gentleman is entirely correct. When the undistributed-profits tax finally came back it was a comparatively minor item in the tax bill.

Mr. McCORMACK. Outside of the undistributed-profits tax there is not a thing in this bill that we are remedying for which the Democratic Party is wholly responsible.

Mr. DUNCAN. That is true.

Mr. Chairman, I want to say a word about spending, which we have heard a great deal about today. A very good friend of mine out in Missouri was in my office not long ago discussing this question. He has been for quite a while a member of the advisory committee of the Secretary of Commerce. He is a very outstanding businessman. He was complaining about the great amount of expenditures, and I heartily agreed with him. The day he was here I had read in the newspapers an article condemning the Congress for its large expenditure of funds. I had also received some telegrams from outstanding men in my State asking for additional appropriations. I made a statement to him which I am going to repeat in this House today. Of course, we are all human. We all have to be sent here by the people in the district which we represent; and if we cease to be responsive to the demands of those people, we will not stay here very long.

I said to him: "If you will go back home and get your newspapers, your chambers of commerce, your civic organizations, and all of your public-spirited citizens to use the same amount of influence upon the people generally, urging them to stop demanding expenditures by the Congress, you will not have much trouble with the Congress itself."

Every Member of this House has received hundreds of telegrams from their local chambers of commerce, from business organizations, and from men of responsibility condemning the expenditure of public funds; and then a week later or maybe the next day you receive letters and telegrams from people making up those organizations urging you to increase the appropriation for some particular project in which they are directly interested. Within the last 4 days everyone of us has experienced that identical situation.

Therefore, if these people will urge that the folks back home come to a realization of the situation we are facing, we shall have no trouble in finally balancing the Budget. [Applause.]

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON. Mr. Chairman, sometimes I have voted for bills reluctantly and sometimes I have voted against them reluctantly, but this is a bill for which I will be able to vote with great pleasure. It is a bill that has been very carefully drawn and one which gives a measure of relief to business.

When the undistributed-profits tax was before our committee in 1938—and incidentally I do not have to take much time on that subject, because I never was in favor of it—business interests appeared before our committee and stated that they would rather have a 22-percent flat rate than the undistributed-profits tax. We have given them an 18-percent flat rate.

We have heard a lot about small business and its need for refinancing, need for relief from the existing debt structure, and need to carry over losses from a bad year against an income of a good year. The committee agreed to an amendment that I offered to the bill as originally introduced to permit all indebtedness, not just interest-bearing or registered indebtedness, to be refinanced when the corporation was in an "unsound" financial condition. Some Members have made reference to the fact that that means "distressed financial condition." If you will refer to line 14, page 30, you will find that the word used is "unsound."

What will be the practical effect of that? Say a business owes $100,000 and has difficulty in going ahead. It needs some working capital. It needs relief from interest charges. It will go to the R. F. C. and say, "Will you lend me $50,000 if I can buy in my indebtedness for 50 cents on the dollar?"

The R. F. C. will make an investigation of the condition of that business and if it determines that with $50,000 new capital the business can go ahead it will promise a loan. The business will go to its bank and say, "I can pay you 50 cents on the dollar and that is all I can pay you. I will have to borrow the money from the R. F. C." The bank will make an investigation and will determine it is a good transaction for the bank to cash in at 50 cents on the dollar. You then have the report of the local bank that 50 cents on the dollar is a fair value for the securities. You have the report of the R. F. C. that goes to the Commissioner of Internal Revenue for his approval whether or not the fiscal affairs of this corporation are such that he would be justified in saying it is in an unsound condition, so that when it buys in its obligations at 50 cents on the dollar the difference shall not be charged against it as an income tax.

Mr. ZIMMERMAN. Will the gentleman yield?

Mr. ROBERTSON. I yield to the gentleman from Missouri.

Mr. ZIMMERMAN. Does the gentleman make the same provision for an individual who is engaged in business and who may have the same misfortune?

Mr. ROBERTSON. Not in this case but in net operating loss. That covers everybody that is engaged in business. It does not apply to all private transactions, such as you or I may have, because we are not engaged in business. It is applied to business and business only.

Mr. ZIMMERMAN. In other words, it does not apply solely to a corporation?

Mr. ROBERTSON. No; the net operating loss carry-over may be applied to a partner, it may be an individual merchant—anybody in business.

I have been very glad to hear today the kind words spoken of our Under Secretary of the Treasury, John Hanes, and I fully agree with all the praise that has been given that gentleman today. For a number of years business has been telling us, "We want a practical businessman at the head of our Revenue Department." We have such a man, one who is versed not only in the manufacturing end of business but in the security end of business; a man who has knowledge of business in a big way—not a small way but a big way—who is fair, who is approachable, and who has rendered a great service to our committee in the preparation of this bill.

The Commissioner of Internal Revenue is under the Under Secretary of the Treasury. So if there be any fear that we have not gone far enough in defining what is an unsound business condition, there is the Under Secretary of the Treasury to give advice to the Bureau of Internal Revenue when specific problems come up. Not only that but we have in that Under Secretary of the Treasury a man who proposes to make a full study of our whole tax structure, and that is highly important. He has already prepared for us a splendid chart, which was exhibited here today by our colleague from Oklahoma [Mr. DISNEY].

I am sorry, Mr. Chairman, that in the discussion of such an important matter as this tax bill we have a small attendance, whereas on Friday this Chamber was filled from 11 o'clock in the morning until 1 o'clock at night with Members of the House who could scarcely find time enough to send word back to their districts of how they loved their constituents and proposed to get for them larger and larger appropriations from Uncle Sam. [Applause.] Now we have before us a bill to put on some taxes; and I wish to say that the time to shed crocodile tears for the taxpayers is when the appropriation bills are before the House, not when tax bills are here. [Applause.] I feel I can make this suggestion with as good grace as any Member of this House, because no Member of the House has more consistently than I voted to keep down the expenditures of the Federal Government.

Now just a word for my valued and esteemed colleagues on the Republican side, with whom I enjoy so much service on the Ways and Means Committee. They have said in their report that they do not want to continue the excise taxes, to which we must look for at least $500,000,000 of the revenue of the next fiscal year, revenue which at most will not be $6,000,000,000, as against contemplated expenditures of $10,000,000,000 or more. With all due deference to them, I believe their suggestion that we should drop these excise taxes at this time comes more or less in the nature of a political gesture rather than as a serious position. They all voted to

report out this bill, and as far as I know they will all vote for its passage. Everyone knows that if we dropped every emergency expenditure now contemplated the regular expenditures of the Government alone would exceed the expected revenue, including the $500,000,000 of excise taxes. I am glad, however, that my Republican friends want to continue and make permanent the excise tax on sporting arms and ammunition. And I want to pay tribute to my colleagues, the gentleman from California [Mr. BUCK], and the gentleman from Michigan [Mr. DINGELL], for their fine service in having that provision adopted by the subcommittee and included in the bill as first introduced.

Mr. HARTER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I yield to the gentleman from Ohio.

Mr. HARTER of Ohio. The gentleman understands, does he not, that there are many inequities in these excise taxes?

Mr. ROBERTSON. Oh, I understand that there are inequities in all taxes. When you say to a corporation, "If you are a few hundred dollars less than $25,000, you will get one rate, and if you are a few hundred dollars over $25,000, you will get another rate," that is an inequity; but how can we help it? You cannot frame a tax bill that is absolutely free from inequities.

Mr. HARTER of Ohio. Will the gentleman tell me why there should be an excise tax of from 8 to 12 percent on tires and tubes of automobiles and trucks when you have an excise tax of only 2 percent on other automobile accessories?

Mr. ROBERTSON. I am willing for the RECORD to show that my friend from Ohio has expressed deep concern over the problems that arise in his State and elsewhere concerning tires, but I wish to assure the gentleman that every farmer in Virginia who buys one of these automobiles or one of these tires is paying the tax; it is not coming out of the gentleman's manufacturers.

Mr. HARTER of Ohio. That is quite true. [Applause.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 7 minutes to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Chairman, I feel so keenly about some of these specific taxes that we have heretofore applied against industry that I do not mind going on record at this particular moment and saying that as an individual taxpayer I would be delighted to see the industries in the form of proprietorships, corporations, and partnerships in this country placed in a more favorable position, even if it should result in my being taxed as an individual 25, 50, or 100 percent more. Therefore, I wish to compliment the Republicans and the Democrats on the committee for arranging it so that the industries of this country can carry forward their operating losses even to the end of the second year, as stated in this bill. I believe that is a grand step for this Congress to take.

I also wish to congratulate the committee on the position it has taken in letting the undistributed-earnings tax, which is now applicable, die as of December 31 of this year, so the industries of this country will not be further jeopardized by such an earnings tax as they have been burdened with in recent months and years.

The privilege for corporations to revalue their capital stock upward will in a great many cases assist small and large corporations in meeting their tax obligations and in keeping their businesses going. I do not see any practical way the committee could have permitted the industries to revalue both upward and downward, and I assume that the fact that a taxpayer would be inclined to whipsaw the Treasury is the reason the privilege to revalue upward and downward was not given.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Tennessee.

Mr. COOPER. The gentleman is correct in his analysis of the situation. The capital-stock and excess-profits tax yielded last year approximately $175,000,000 in revenue. Of course, we could not lose that revenue without greatly increasing the normal corporation rates. At the same time, if we allowed corporations the opportunity to redeclare their value downward, we would naturally sustain a great loss of revenue. The treatment here given does give them relief as to the excess-profits tax, which will, of course, be of great assistance to them.

Mr. CRAWFORD. I appreciate what the gentleman has said.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. And the 2 years is practically 3 years because there will be a revaluing in the year 1941.

Mr. CRAWFORD. That is correct, as I understand the bill.

I am not as optimistic about the privileges extended corporations with respect to buying their own securities as is the gentleman from Virginia. I believe that as we move down the road we will find this privilege will be capitalized on very, very little by the private industrial concerns, outside of the railroad class. I believe the R. F. C. will find that it will make an exceedingly small number of loans to corporations in this connection and which can make the showing that is necessary to be made in order to get the privilege of purchasing their outstanding obligations without having to be taxed on the paper profit that is picked up in the liquidation of the obligation outstanding.

So, personally, I do not anticipate any material relief, but I am delighted to find that provision in the bill because I think it will materially help the railroad situation and, particularly, those companies that are in process of reorganization and those that will have to be reorganized at some subsequent date.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. JENKINS of Ohio. I agree with the gentleman and I want the gentleman to know that there was not general unanimity of opinion on this point, but most of the Members thought it would help the railroads, because all of them can qualify now by showing they are in this kind of condition.

Mr. CRAWFORD. Surely, and it is almost inconceivable that the management of an industry that has its back right up against the wall and fighting will go out and recommend to the R. F. C. or to its board of directors or its stockholders that money should be taken out of working capital and applied against the purchase of some obligation not yet due. They simply do not play the game in that manner, and I repeat that I do not expect any material assistance from this provision insofar as the average corporation is concerned.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield.

Mr. TREADWAY. The gentleman has not referred to putting these changes into operation in the present year. The gentleman is thoroughly in accord with the Republican position on that point, is he not?

Mr. CRAWFORD. I regret very much that this does not retroactively date back to January 1, 1939, so as to enable business to pick up as much as it can between now and December 31.

On the question of capital gains I am delighted to find those provisions in the bill.

On excise tax versus direct tax, I wish I had the privilege to vote this afternoon in favor of the President's proposal, which I understand is in a rough form to spread our tax base and, if necessary, to increase the tax rate on those who have salaries such as we have here as Members of Congress, provided we could do away with all hidden taxes, excise taxes, and luxury taxes; in other words, I wish that my brothers and sisters and my nephews and nieces all had to pay a direct

tax, having first prepared a personal income tax, and then be forced to walk up and pay tribute to their Government.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 1 additional minute.

Mr. CRAWFORD. I do not know of any way to make better citizens out of them, and if we could get rid of hidden taxes, excise taxes, and luxury taxes, and put it in the form of a direct tax and thereby inform the people of their actual taxes, I would be delighted to go along with such a proposition.

Just one other thought; I do not want our friend, Johnny Hanes, to receive praise and glory only from the Democratic side. I think it was a godsend when he landed in the Treasury Department. I hope he will have the courage to stay there through this administration and through the administration to come, because I believe that his contribution to the affairs of Government is worth a very great deal to our people at the present time. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Virginia [Mr. DARDEN].

Mr. DARDEN. Mr. Chairman, the point I am going to speak on for a very short moment deals only indirectly with this bill. It touches upon an amendment which, unfortunately, the committee felt unable to consider at this particular time.

The tax bill of 1936 carried a provision which permitted for the period of 1 year the payers of the processing taxes heretofore levied and paid to enter the courts of the United States and ask for a refund. There were literally thousands of people throughout the country, small business firms and farmers, who were not advised of this legislation in time to test their rights in the courts. There are approximately 11 bills pending before the Congress today asking that this privilege be reextended to those affected.

I do hope the committee, once this pressing business is passed, will give us an opportunity to be heard on this matter and a chance to present our case. The Treasury in their observations have stated that the measures will entail, probably, a charge of one-half billion dollars against the Government. I doubt seriously that this is accurate. I think the sum is altogether too large, but whether it is too large or not is beside the point. A citizen of the United States should have the unquestioned right to appeal to the courts of the country to determine whether or not he has been justly or unjustly taxed, and if he has been unjustly taxed, he should be given the right to a remedy that would force the Government illegally taking his money from him in the form of an unconstitutional tax to refund it to him. The Government should not be allowed to hide behind a statute of limitation in order to avoid the payment of a just debt.

I want to thank my colleague, the gentleman from Virginia, WILLIS ROBERTSON, for his kindness in granting me a part of his time for the presentation of this important matter. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 6 minutes to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, during the course of his remarks this afternoon the gentleman from Massachusetts [Mr. TREADWAY] stated that there were two entirely different parts to this bill, one of which might be emergent, the extension of the existing excise taxes, although he expressed his dissent to such extension, and the remaining portions of the bill. I would not like the Committee to go into the reading of the bill and voting on possible amendments without a statement from the majority side of the committee in contradiction of the statement the gentleman from Massachusetts made.

The committee has recognized that there are certain conditions which have arisen as a result of two decisions in the Supreme Court and one decision in a district court that have made it vital, in the interest of the Treasury as well as of individual and corporation taxpayers, to enact remedial legislation immediately.

As a result of these decisions the committee found that the Commissioner of Internal Revenue was actually holding up deficiency assessments against individual taxpayers in some thousands of cases pending any action by Congress on these matters. While on the one hand the Commissioner would be obliged to levy assessments against the taxpayers as a result of both of the Supreme Court decisions other taxpayers might find themselves in the position where they could successfully file claims for refunds from the Treasury. It is quite possible that the Supreme Court decided rightly, according to the way the law was phrased in these two cases, both of which I wish to discuss somewhat briefly, but in each case the Court overturned what had been the uniform policy and consistent practice of the Treasury Department since the particular sections of the income-tax law under which the decisions were rendered were enacted. In the case of the *United States* v. *Hendler* (303 U. S. 564 (1938)), the Court in interpreting the reorganization sections of the income-tax law as it applies to corporations determined that when a corporation taxpayer's liabilities are assumed by another party in what is otherwise a tax-free organization, gain should be recognized to the extent of the assumptions. Hitherto it has been the policy in our income-tax law to give proper consideration in connection with these reorganizations by postponing the recognition of gain realized in such transactions. That is to say, the law provides that such gain is only taxable if the corporation reorganizing or merging receives money or property other than stock in the new or reorganized corporation. The practical effect of the Hendler case is to say that an assumption of a liability is property in the sense that it may be taxable immediately to the first corporation.

In typical transactions changing the form or entity of a business it is not customary to liquidate the liabilities of the business, and these liabilities are almost invariably assumed by the new corporation or the one continuing the old business. The interpretation placed on the existing law by the United States Supreme Court, in the opinion of your committee, is too broad, and we have, therefore, recommended that bona fide transactions of this type shall be carried on hereafter without the recognition of immediate gain taxable to the corporation going through reorganization.

We have safeguarded this provision, which is to be found in section 213 (a), by providing that the committee's interpretation shall not apply where it appears that the principal purpose of the taxpayers, whose liabilities are assumed or who transfer property subject to a liability, was to avoid Federal income tax on the exchange or was not a bona fide business purpose.

Furthermore, we have provided that in the determination of the basis under section 113 (a) (6) of the Internal Revenue Code any liabilities of the taxpayer assumed by the transferee or to which the transfered property is subject shall be considered as money received by the taxpayer upon the exchange. Hence it would be applicable in the reduction of the basis of the property received by the taxpayer on the exchange.

In *Koshland* v. *Helvering* (298 U. S. 441) and *Helvering* v. *Gowran* (302 U. S. 238) the decisions of the Supreme Court again overturned what had been a uniform construction of the Treasury in respect to the basis for imputing gain or loss to the taxpayer upon his selling or exchanging stock or stock rights which had been distributed to him as dividends by some corporation. From 1921 to 1934 the revenue acts provided that a stock dividend should not be subject to tax. The Treasury construed these facts to mean that the basis in the taxpayers' hands of the stock in respect of which a distribution in stock or rights to acquire stock of the distributing corporation was made was to be allocated proportionately between such stock and the stock or rights distributed.

But in these two cases the Supreme Court denied the validity of this construction and held that no part of the cost of the stock in respect of which distribution was made was to be allocated to the stock or rights distributed. Hence the basis of the distributed stock or rights would be zero, and the basis

of the original stock is whatever it would have been if no such distribution had been made. Obviously this rule would produce gross inequities to taxpayers and the Government alike and would result in both claims for refunds and deficiency assessments alike, according to how the distributee might or might not have disposed of either his old or new stock.

The provisions to which I refer are to be found in section 214 of the pending bill. I may add that both the provisions in sections 213 and 214 were urged by the Treasury Department, the American Bar Association, and the Chamber of Commerce of the United States. As far as the committee can find out, there will be no loss of revenue to the Government by the adoption of these two sections, but great inequities will be prevented. The fact that I want to emphasize is that these two corrections are emergency matters and if they are not incorporated in the present bill thousands of people will pay penalties that they could not have anticipated by any line of reasoning, and in many cases the Treasury itself will suffer a definite loss of revenue.

Now, there was also another court decision—a district court decision—which was brought to the attention of the committee—*United States* v. *Rosenfield* (26 F. Supp. 433). This case held that a bona fide purchaser for value of shares of stock from a seller against whom a notice of lien for Federal income taxes had been duly filed prior to the sale of the stock took subject to the lien, even though the purchaser did not have notice or knowledge of the lien. Now, it is all right for the statute to provide that the filing of a notice of a tax lien should constitute notice generally in the case of real property, but, in the opinion of the Ways and Means Committee, it is inequitable for the statute to provide that it constitutes notice as provided securities. It is obviously impossible for a purchaser or a broker to check all the offices in which a notice of the tax lien may be duly filed to determine whether any security is subject to such a tax lien. Similarly, direct sales and over-the-counter transactions in securities are likewise affected. The negotiability of securities would be seriously affected by the interpretation the court gave in the Rosenfield case. Yet there is no doubt in the mind of the committee that the court rightly interpreted the existing law, and, as this lien law was enacted many years ago, it certainly cannot be charged against the present administration. Again I say what we are trying to do is to remedy the situation. It is important that negotiable securities be negotiable immediately, and the proposal of the minority that this remedial legislation, as well as that contained in these sections to which I have previously referred, should be postponed is simply an indication that they do not understand what emergency relief is actually contained in the bill.

Others have covered the subject of the relief to corporations in connection with the discharge of their indebtedness, which is estimated will result in the saving of some $90,000,000 a year interest.

I trust that I have brought home to the Committee the point that I had in mind—that titles II and III and IV, as well as title I, need to be enacted at the earliest possible moment.

Mr. McCORMACK. The Hendler case refers to a law passed in 1924 and the Koshland case relates to several laws passed from 1921 on.

Mr. BUCK. Yes.

Mr. McCORMACK. And in the other case, the Rosenfield case, it relates to a law passed over 60 years ago.

Mr. BUCK. Yes.

Mr. McCORMACK. And our friends in their report say that they are correcting something that the New Deal did.

Mr. BUCK. I thank the gentleman for that suggestion. Of course the New Deal had nothing to do with these decisions. It is trying to remedy their effect. The point I make is that these people who were the victims, if I may use that term, in view of the decisions of the courts in these cases, would have had to pay, literally, hundreds of thousands and perhaps millions of dollars in taxes if we did not act immediately. Certainly, under the Hendler case, I know the deficiency assessments would have run into millions of dollars. The New Deal did not write the laws under which these assessments would be levied, either.

Mr. JENKINS of Ohio. The gentleman surely could not expect us to correct all of the mistakes of the New Deal in one session.

Mr. BUCK. And I have not heard the gentlemen on the minority side suggest any legitimate procedure we were not willing to accept. I am sure he is for these remedial measures.

Mr. REED of New York. I think that we ought to be exact. We are attempting to correct what the New Deal Supreme Court has done.

Mr. BUCK. Oh, I would not say that. It only interpreted the laws it found; we aim to correct them.

Mr. DISNEY. The gentleman said that the Treasury recommended this corrective legislation.

Mr. BUCK. Yes. I should say in addition to that, that I can point out to the committee that the loss is not only to the individual and corporate taxpayer who would be the victims of these assessments, but in many cases the Treasury itself would have had to pay refunds, particularly under the Koshland decision, where the basis of stock dividends was revised under the Supreme Court decision and the taxpayer could claim refund against the Treasury. I do not want to take up the time of the Committee this afternoon, because these are rather technical questions, but you gentlemen will find them discussed thoroughly and completely in the report on the pages beginning on page 18 and running through page 26.

Mr. LEWIS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. BUCK. Yes.

Mr. LEWIS of Ohio. In section 215 I see the term used—

> the taxpayer was in an unsound financial condition.

The committee is introducing that term, "unsound financial condition," which is a new term to the law, without defining it. Does the gentleman not think there should be a definition of that?

Mr. BUCK. No, I do not; because this is not a case where you would have to go into a bankruptcy court or any other court. What we are trying to do is to keep these corporations out of a position where they might have to take advantage of the Chandler Act or section 77B, and, therefore, we leave this to the discretion of the Commissioner of Internal Revenue. If it is found to his satisfaction that they are in an unsound condition and perhaps if their bonds are selling away below par it might be taken as evidence of such a condition, they are to be given this relief. I do not think the committee should define the term.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON. Mr. Chairman, during the opening remarks of the discussion this afternoon, the gentleman from Massachusetts [Mr. McCORMACK] called attention to the minority views as they are presented in this report. The statement I am about to read from the majority report is not a misstatement, but it holds out a very subtle hope, in fact, I am afraid it is a forlorn hope, and I want the gentlemen of the committee to notice this statement. They were discussing the continuance of the excise taxes and these are the words that I find:

> But their extension for 2 years will not preclude action by the Congress to remove or revise them earlier if the condition of the revenue permits.

I assure you that every citizen of this country hopes that that situation will prevail, but I do not think the majority would contend this afternoon for 1 minute that there is any possibility of removing these taxes within the next 2 years.

Mr. DISNEY. Will the gentleman yield?

Mr. CARLSON. I yield.

Mr. DISNEY. The gentleman was not a member of the committee last year, but you will recall that this very committee recommended that some of these nuisance taxes be removed last year. So that it is not such a forlorn hope, since it was within 12 months of the time when we did take off some of these taxes.

Mr. CARLSON. That is a very fine statement of past performance, and I have a very high regard for the gentleman from Oklahoma, but I do not believe that he or this committee wants the impression to go out to the country that we are going to remove these excise taxes in the near future. I wish we could.

Mr. DISNEY. Then that brings up another question, if the gentleman will yield further. You say in the minority report, on page 55, that you want title I stricken out. You do not mean that?

Mr. CARLSON. We certainly do, and sincerely wish that business was such that our tax burden could be met without excise taxes.

Mr. DISNEY. I want to know if you meant that you wanted to take $550,000,000 out of the Budget and then the day before talk about balancing the Budget? Do you mean to strike out title I?

Mr. CARLSON. Just to show how much we mean to remove it, I want to call the gentleman's attention to some of the excise taxes that are bearing down upon industry.

Mr. DISNEY. Would you prefer not to answer my question?

Mr. CARLSON. I will answer by calling to the attention of the gentleman from Oklahoma [Mr. DISNEY] the serious effect of excise taxes on the oil industry. In our section we have a great oil business. These excise taxes bear down heavily on the oil industry in the United States. For instance, for every permanent employee of the Continental Oil Co. $4,330 was collected in taxes during the year 1938. Think of that. Over $4,000 collected for every permanent employee of the Continental Oil Co. That is representative of the taxes paid by all oil companies. A total of $22,059,252 in taxes, representing $4.70 for each share of stock outstanding. That is a burdensome tax and we would all like to remove it, but I do not believe any of us think it can be done this year. Despite this fact, gasoline prices continued to decrease in 1938.

Mr. DISNEY. Will the gentleman yield further?

Mr. CARLSON. I would rather not yield just at this time. Let me finish this statement, please.

The tax burden on gasoline continues to increase. The total tax exceeded the total pay rolls of the Cities Service Co. and its subsidiaries. The Phillips Petroleum Co. reports that the total taxes collected from the company on its products in 1938 exceeded by more than $7,000,000 the combined amounts paid in wages to employees and dividends to stockholders.

I could continue with these reports, but as I stated, we are concerned about the ever-increasing tax on this industry. We are in for a heavy tax burden in this country. We have labored for so many years with an unbalanced Budget that we forget the fact that from 1920 to 1930 we did have a balanced Budget in this Nation. In 1919, at the close of the World War, we had a national debt of $25,482,034,419. We not only kept our Budget balanced from 1920 to 1930, but we had reduced our indebtedness to $16,185,308,299 by 1930. I, for one, do not believe we are going to spend ourselves into prosperity, nor do I believe we are going to borrow ourselves into prosperity. We must build on a sound fiscal policy.

The national debt has increased from $16,000,000,000 to approximately $45,000,000,000 since 1930. I am advised that if we started trying to take up this national debt which we have incurred in the last 10 years at the same rate that we were taking up our national indebtedness from 1920 to 1930, it would take 33 years' time to do it. Therefore our future for having tax reductions is not very encouraging.

I want to say that, as far as I am concerned, I believe we must have a tax-conscious people before we will ever have tax reductions. You have heard discussions this afternoon about demands from home. We are all faced with that situation, but we must have a tax-conscious people first, and then we will start balancing the Budget, or at least reducing expenditures.

I am informed the State of Colorado has an assessed valuation of all of its mines, factories, homes, and business properties of $1,000,000,000. In the last 10 years we have spent, so to speak, twenty-some billion dollars of borrowed money or 20 States the size of Colorado. I do not think we can continue spending taxpayers' money at that rate without serious consequences. It is a deterrent to business.

Mr. CRAWFORD. Will the gentleman yield to me?

Mr. CARLSON. I yield.

Mr. CRAWFORD. One reason why we cannot spend our way into prosperity is this: For 10 years at a time, and for only 10 years, the Government has been able to compile comparable figures on national income. The first 5-year period which starts with 1929, ending with 1933, shows an average of $57,000,000,000 annual income. The last 5-year period showed an average of $61,000,000,000 per annum national income, and the difference between the two is approximately $4,000,000,000 deficit which we have put in; so where is the spending program taking us other than to damnation?

Mr. CARLSON. I thank the gentleman for his contribution. We have the impression that because of the reduced national income we are not collecting as much in taxes as we used to. The truth of the matter is more Federal revenue was collected in the form of taxes in 1938 than in any other year, notwithstanding the fact that Government spending has increased and that we have enormous deficits. Let us reduce Federal expenditures and make an honest effort to balance the Budget.

Mr. Chairman, I yield back the balance of my time.

Mr. TREADWAY. Mr. Chairman, I yield the balance of my time to the gentleman from New York [Mr. REED].

The CHAIRMAN. The gentleman from New York is recognized for 12 minutes.

Mr. REED of New York. Mr. Chairman, I want to take this occasion to remind the House that the Ways and Means Committee has been a hard-working committee since the first of the year. I think I can see a look of relief coming over the benign countenances of many of the members of the committee now that this bill will soon be in its final stages as legislation. It has been a terrific task. Before I proceed further with what I shall have to say with reference to the provisions of this bill I do want to compliment the chairman and the members of the majority for the fairness with which the minority has been treated. I also want to pay my respects to Under Secretary Hanes, who certainly made a great contribution to the committee. He is fair, he is well informed, and I think he looks at things from a business point of view.

The revenue bill now before the House for consideration is the eleventh tax measure this administration has presented since 1933. These exactions from the pockets of the taxpayers have been made necessary because of the program of extravagance inaugurated under the leadership of the greatest spender of public funds in peacetimes in all history.

Omitting from our calculations the revenue this bill will raise, there has been collected in taxes by this administration up to and including June 14, 1939, the sum of $28,651,788,714.

This amount, though staggering and almost beyond comprehension, does not record by any means the extent to which this administration has perfected the technique of drawing upon the resources of the public for funds to squander and dissipate for fantastic projects, including the use of revenue to obtain and then retain political power. This statement needs no amplification or bill of particulars since the disclosures of waste and corruption made during the debate on the so-called relief bill. The facts, now a matter of public record, fully support the charges of extravagance in the use of public money.

In addition to present taxation as a source of revenue for the new dealers to spend, there has been developed the fine

art of borrowing, the painful effects of which the administration hopes can be deferred and therefore reserved for a generation, not now of voting age, to endure.

Speaking of borrowing, I ought to refresh the recollection of those who have some concern for future generations that aside from the $28,651,788,714 collected under the revenue bills prior to the one before us this administration has obtained by this method $19,425,488,281. Thus in 6 years, up to and including June 14, 1939, there has been raised by taxation and by borrowing a total of $48,077,277,005, all of which has been spent.

I may say that this revenue bill is a vast improvement over preceding revenue measures enacted under this administration. The improvements that appear in it, however, are the result of the unremitting fight of the Republican minority to obtain them. In this connection I am sure that no fair-minded member of the Democratic majority would wish to challenge the wisdom of eliminating the last vestige of the undistributed-profits tax. It is most unfortunate that many business concerns had to be driven into insolvency and 4,000,000 men and women made idle in 1937 to bring this belated relief to industrial enterprise and their employees.

The Republican minority fought this proposal when it was first made in 1936 and again opposed it when the unsound principle was later embodied in the 1938 Revenue Act. The Republican minority warned, then, by calling attention to what we said in 1936 as to the devastating effect such an instrument of reform, rather than a means to obtain revenue, would be likely to have on business and employment.

I repeat what the Republican minority of the Ways and Means Committee said in 1936 as a danger signal to be observed by these reformers who may be inclined to turn to such an expedient in the future. The report said this:

1. Discourage and possibly prevent the accumulation of adequate rainy-day reserves and constitute a direct threat to the security of business, employment, and investments.
2. Cause corporations to restrict the distribution of their existing tax-paid reserves, which could only be rebuilt under penalty.
3. Discourage business rehabilitation and expansion and have a retarding effect upon recovery and reemployment.
4. Hamper the growth of small corporations, impede the development of new enterprises, and foster monopolies.
5. Put a penalty on prudence and a bounty on improvidence and constitute an unwholesome interference with the exercise of sound judgment in the management of business.
6. Accentuate the extremes of future booms and depressions.
7. Oppress business burdened with debts and result in a restriction on corporate credit.
8. Drive capital out of productive enterprise into tax-exempt securities.
9. Violate every sound principle of income taxation, be arbitrary and oppressive in its operation.
10. Crucify financially weak business enterprises, while permitting strong to minimize or entirely escape the tax.
11. Create iniquitous and unfair competitive situation which would be far greater and more real than the imaginary ones purported to correct.
12. Result in the double taxation of all dividends paid out of revenues, whether accumulated in the past or in the future.
13. Abandon an assured revenue of $1,100,000,000 annually for one purely speculative and uncertain, and which promised to be more disappointing in amount, thereby further jeopardizing the Federal revenue.

It is unfortunate that this bill cannot restore to life the small concerns that were destroyed by the 1936 Revenue Act, but the removal of the unsound principle from the bill now before the House is some assurance to surviving concerns that the damage from such a method of industrial discipline has been eliminated.

I assume that many persons who have been irritated and bedeviled by nuisance taxes will be disappointed at the provision extending these taxes 2 years more. It is only natural that they should be disappointed, but they should not be surprised. There must come a time when even the most credulous will no longer rely on political promises. I am sure that after more than 6 years of bitter experience under a regime that has developed tergiversation into a fine art, intelligent citizens throughout the country will no longer be deceived or seduced by promises emanating from such a source. After assurances from the administration and the majority that the irritating nuisance taxes would be lowered or repealed, this bill extends them for 2 years more. These taxes have been extended every 2 years since 1932. Just so long as the administration refuses to reduce expenditures, nuisance taxes and other exactions will continue to plague and bedevil those who have anything left to tax and those who "pay them in the sweat of their brow."

Speaking for one member of the minority, I wish to commend the majority for permitting the minority to make such improvements as now appear in this bill. I hope it will set a precedent which the majority will follow between now and December 31, 1940. If you do, it will add to your prestige and save the country from many heartaches resulting not from willful mistakes but from chronic Democratic incapacity to legislate independently and constructively. I believe it is beginning to dawn even in the benighted circles of the New Deal that the people had a reason for sending Republican recruits to the Seventy-sixth Congress. The people have never failed to send a Republican majority to Congress whenever either the safety or the solvency of the Republic has been threatened. [Applause.]

I am sure that when the citizens see how much can be accomplished that is good by a few Republican recruits, there will be a wholesome majority of them sent here in 1940.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The gentleman from New York yields back 1 minute.

Mr. DOUGHTON. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from North Carolina is recognized for 10 minutes.

Mr. DOUGHTON. Mr. Chairman, I heartily endorse and am in full accord with what the previous speakers have said with respect to the fine cooperative service that has been rendered by the Secretary of the Treasury, Mr. Morgenthau, and Under Secretary Hanes in the preparation of the tax bill now under consideration. Their profound knowledge of the subject, their continuous efforts in assisting in the preparation of this bill have been invaluable, and too much credit cannot be accorded them for the part of the work they have done.

Tax bills ordinarily are written for the purpose of raising additional revenue. This, however, is not the main purpose in the bill now under consideration. The chief purpose of the bill is, as far as reasonably possible, to give relief to the business interests of the country; and I believe when fair consideration is given to what was done in the social-security bill and what will be provided in this bill when it is enacted into law, that all fair-minded people will decide that we have gone as far as it is reasonably possible at this time in giving encouragement to business by removing any deterrent that may exist in our present tax laws.

The Republicans in the minority report take credit for practically everything that is proposed to be done in this bill, and claim that their insistence, or something that they have said or done, has influenced the majority to take the action that was taken. The Republicans always know how to run the country when they are not in power and they always know how to run the country into the ground when they are in power. It seems to me that it takes a good deal of temerity for the party that left the country in the condition we found it in 1933 to criticize whatever we do. We inherited the worst legacy of evils that it ever fell the lot of any administration to correct.

That is the chief reason for our party having so much trouble with matters of taxation. One of their chief subjects of complaint is the undistributed-profits tax, and my friend from Ohio [Mr. JENKINS], an able member of the minority on our committee, waxed eloquent and emotional talking about the nefarious undistributed-profits tax and how it had harmed the business of the country. Facts are always to be relied upon rather than loose statements. In order to show how this so-called nefarious undistributed-profits tax hurt the country I would like to give some statistics showing

the condition of the country in 1932, the last year of the Hoover administration, and 1936, the fourth year of the present administration and the first full year of the operation of the undistributed-profits tax.

Let us take a look at the record and see how disastrous this and other New Deal laws have been to business. I do not know of a better barometer than the facts stated by the taxpayers themselves in their tax returns; so a comparison of business conditions existing in 1932, the fourth, and, thank God, the last year of the Hoover administration, with 1936, the fourth year of the present administration, and the first full year in which the original undistributed-profits tax was in effect, might shed some light and wisdom to our Republican brethren. First, we will take the returns filed by all corporations and look at just a few of the items as shown by the statistics of income, which I think we all will agree reflects business conditions accurately.

Gross sales in 1932 amounted to $53,099,401,000 and in 1936 they were $100,585,887,000, an increase of 89.4 percent; total compiled receipts in 1932 amounted to $81,637,988,000, whereas in 1936 they amounted to $132,722,602,000, an increase of 62.6 percent. In 1932 all corporations had a deficit of $3,829,-342,000, whereas in 1936 the Roosevelt administration's tax laws were so disastrous that they resulted in all corporations showing a profit of $7,770,887,000. Their predictions were pathetic rather than prophetic. Now let us take a look at the data shown from tax returns filed by individuals: In 1932 individuals reported income from wages and salaries amounting to $8,136,717,000, whereas in 1936 wages and salaries amounted to $11,661,274,000 and in 1937, as shown by the preliminary statistics, they amounted to $14,028,788,000. Income from business in 1932 amounted to $1,294,952,000; in 1936, $2,374,258,000; and in 1937, $2,520,825,000. Income from partnerships in 1932 amounted to $482,863,000 and in 1936, $1,022,288,000, and in 1937, $1,162,216,000. Total income reported by individuals in 1932 amounted to $14,392,-080,000, whereas in 1936 it amounted to $21,888,373,000 and, in 1937, $24,271,501,000, an increase of 68.6 percent.

I shall not further discuss conditions existing under Mr. Hoover in 1932 lest I embarrass my Republican friends who are now posing as the only friends of American business.

Mr. Chairman, the undistributed-profits tax has been allowed to expire. I shall always believe there was an element of soundness in the undistributed-profits tax, but the corporations believed it was prejudicial to their interests. As chairman of the Committee on Ways and Means, I have little complaint as to the operations of the undistributed-profits tax as the law now stands, but the fears of the corporations were that it would spread or be increased. Therefore, they desired that it be repealed; and if they were willing to pay a similar amount of tax in some other form, so far as I was concerned I was willing for them to do so. I said, "All right; if you think it will help business and you are willing to pay a similar amount of taxes in some other form, we will give you the opportunity to try it out."

Mr. Chairman, I hope the relief contained in this bill, together with that in the social-security bill, which recently passed the House, will give business the green light and it will go forward with the full assurance that the Government is anxious to aid in every way reasonably possible.

[Here the gavel fell.]

The CHAIRMAN. All time has expired.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that the bill may be read by title.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee [Mr. COOPER]?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That this act may be cited as the "Revenue Act of 1939."

TITLE I—EXCISE TAXES AND POSTAL RATES

SEC. 1. Continuation of excise taxes and postal rates.

Sections 1700 (a) (1), 1801, 1802, 3403 (f) (1), 3452, 3460 (a), 3465, 3481 (b), and 3482 of the Internal Revenue Code are amended by striking out "1939" wherever appearing therein and inserting in lieu thereof "1941." Section 1001 (a), as amended, of the Revenue Act of 1932, and section 2, as amended of the act entitled "An act to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes", approved June 16, 1933, are further amended by striking out "1939" wherever appearing therein and inserting in lieu thereof "1941."

SEC. 2. Sporting arms and ammunition tax.

Section 3407 of the Internal Revenue Code (relating to the tax on firearms, shells, and cartridges) is amended by adding at the end thereof the following new paragraph:

"The provisions of section 3452 (relating to expiration of taxes) shall not apply to the tax imposed by this section."

Mr. TREADWAY. Mr. Chairman, I offer an amendment, which I send to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. TREADWAY: Beginning on page 1, line 5, strike out all of section 1 and insert in lieu thereof the following:

"SEC. 1. Continuation of import taxes.

"Subchapter B of chapter 29 of the Internal Revenue Code (relating to import taxes) is amended by adding at the end of part I the following new section:

"'SEC. 3426. The provisions of section 3452 (relating to expiration of taxes) shall not apply to the taxes imposed by this subchapter.'"

Mr. TREADWAY. Mr. Chairman, the purpose and effect of this amendment is to allow the nuisance taxes and the extra 1-cent postage rate to expire at the close of this fiscal year, June 30, but to continue indefinitely the import excise taxes on petroleum, coal, lumber, and copper. The amendment will not affect the provisions of section 2 of the bill, which make permanent the tax on sporting arms and ammunition, the proceeds of which go to the support of the Wildlife Conservation Act.

Mr. Chairman, in order to expedite time and the consideration of the bill, I ask unanimous consent to extend my own remarks at this point on the amendment which I have just offered.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts [Mr. TREADWAY]?

There was no objection.

Mr. DONDERO. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Michigan.

Mr. DONDERO. What is the amount of tax on sporting goods now under the bill?

Mr. TREADWAY. The gentleman from Virginia [Mr. ROBERTSON] is more familiar with that than I am.

Mr. ROBERTSON. For the first 8 months of this year the tax amounted to approximately $2,000,000.

Mr. DONDERO. What is it in percentage?

Mr. ROBERTSON. Ten percent.

Mr. TREADWAY. That is an item on which we are all agreed. I am not taking any exception to that revenue going directly to wildlife conservation.

Mr. MURDOCK of Arizona. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Arizona.

Mr. MURDOCK of Arizona. Will the gentleman repeat just what items are not affected here?

Mr. TREADWAY. The items not affected by the repeal are the import excise taxes on petroleum, coal, lumber, and copper. Those would be made permanent under my amendment.

Mr. HARTER of Ohio. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Ohio.

Mr. HARTER of Ohio. Is it the purpose of the gentleman's amendment to continue the excise taxes with the exceptions he has named for the fiscal year ending June 30, 1940?

Mr. TREADWAY. No. My amendment is directed to allowing the nuisance taxes to expire on June 30 this year.

Mr. COCHRAN. Will the gentleman yield?

Mr. TREADWAY. I yield to the gentleman from Missouri.

Mr. COCHRAN. Will the gentleman advise the House just exactly the amount of revenue the Government would lose during the next fiscal year as a result of his amendment, in the event his amendment is agreed to?

Mr. TREADWAY. I cannot give the gentleman the exact figures. It is estimated that so far as the postal item is concerned it would be $100,000,000 in excess of what it is

actually costing the Government to carry first-class postage. That is an unfair tax.

Mr. COCHRAN. Certainly on an amendment of such far-reaching importance the gentleman should be in a position to give the House information with reference to the loss of revenue.

Mr. TREADWAY. The loss of revenue will be offset, we hope, by economy in expenditures. That is where the savings will be.

Mr. COCHRAN. All we can do is hope?

Mr. TREADWAY. Yes; we cannot do more than hope as long as the gentleman's party is in control.

Mr. COCHRAN. I do not think it would be any better if the gentleman's party were in control.

Mr. TREADWAY. The motion I have made is in accordance with the report of the minority members of the Ways and Means Committee.

The elimination of the nuisance taxes was assured the people in 1934, but the New Deal has ignored that assurance by continuing them 5 years beyond that date and it now proposes to extend them for another 2 years.

Why try to deceive the people? Why not admit that these taxes are permanent for all practical purposes as long as the New Deal remains in power?

These 1- and 2-year extensions are getting to be ridiculous, but the Democratic majority apparently do not have the courage to face the facts and admit that the revenue from these taxes cannot be given up while the New Deal spenders hold the purse strings.

The people in 1932 were promised a reduction in Federal spending and relief from the moderate tax burden then in effect. Instead they have seen the Federal cost of government doubled, to a point exceeding nine billions annually.

They were promised an end to the relatively small deficits which had been incurred in 1931 and 1932, but instead they have seen deficit financing become a permanent New Deal policy.

At the end of the next fiscal year, the New Deal will have increased the national debt from twenty-one billions to forty-five billions. In other words, it will have spent that much more than it has raised in revenue by burdensome taxes on the people, which have been constantly increased since the New Deal has been in power.

The nuisance taxes and the additional 1-cent tax on first-class postage fall most heavily on those with the least means. This administration professes to be interested in basing taxes on ability to pay, but these taxes fall equally on rich and poor.

The relief worker pays a 1-cent tax on the letters he mails the same as the multimillionaire.

He also pays a 1-cent tax on his gasoline, the same as the man who rides in a limousine.

He is taxed at the same rate on his auto tires, on his radio, on his movie ticket, and on his toilet articles as the man with millions to burn.

It is not fair.

These indirect and hidden consumption taxes should be eliminated from our tax system. They should be replaced by taxes based on ability to pay.

As previously stated, the amendment I have offered would allow these taxes and the 3-cent rate on postage to expire at the end of this month.

The import excise taxes, which in reality are tariffs and not taxes, would be continued indefinitely under my amendment.

Under existing law, they are subject to the same expiration date as the nuisance taxes.

We of the minority oppose the extension of the nuisance taxes, and say that as an offset you should economize in government. [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I rise in opposition to the amendment.

As I understood the reading of the gentleman's amendment, it provides for the extension and making permanent of the so-called import-excise taxes and repeals all the other excise taxes covered in the bill.

Mr. TREADWAY. It allows them to expire.

Mr. COOPER. It allows them to expire. The gentleman's amendment also repeals the increase from 2 cents to 3 cents of the first-class postage rate on nonlocal mail.

Mr. TREADWAY. The gentleman is correct.

Mr. COOPER. Mr. Chairman, the part of the so-called import-excise taxes that would be continued under the gentleman's amendment yields only about $8,000,000 a year, and most of this money is used in the form of draw-backs, so the Treasury really realizes very little of the tax yield as far as revenue is concerned. This would mean, then, a loss of $535,000,000 in revenue from the excise taxes and would mean a loss of around $100,000,000 in the year 1940 on the postage-rate item; so, in effect, the amendment offered by the gentleman from Massachusetts would mean a loss of revenue to the Federal Government of about $635,000,000. Certainly it is realized by everybody that the Federal Treasury cannot sustain any such loss of revenue as that at this time. Of course, the gentleman offers nothing whatever to replace that revenue, so the simple question is presented here whether the Federal Treasury can now stand a loss of $635,000,000 in revenue, and I believe the answer is obvious to every Member of the House.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield.

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I call the attention of the gentleman to the fact that these excise taxes were imposed in 1932.

Mr. COOPER. Of course, these excise taxes were imposed in 1932, under the administration of Mr. Hoover.

Mr. TREADWAY. For how long?

Mr. COOPER. Some of them have been repealed from time to time. About nine excise taxes were repealed during the last session of Congress in a bill reported by the Ways and Means Committee.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. The gentleman has made reference to the taxes being imposed first in 1932. I made that statement early in the day. We appreciate that fact, but they were put on then as an emergency tax. There have been extensions for 1 and 2 years regularly since then. Does the gentleman believe it is keeping faith with the people to tell them they are having imposed on them an emergency tax that is going to run only temporarily and then practically make the tax permanent by continuing it from year to year in every tax bill that is brought in? That is one of the reasons I am opposing the continuation of these nuisance taxes.

Mr. COOPER. The reason that has required the extension of these excise taxes applies with the same force and effect today that it has heretofore. We simply cannot lose that much revenue. [Applause.]

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. TREADWAY].

The amendment was rejected.

Mr. HARTER of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HARTER of Ohio: On page 1, line 10, strike out "1941" and insert in lieu thereof "1940" and on page 2, line 4, strike out "1941" and insert in lieu thereof "1940."

Mr. HARTER of Ohio. Mr. Chairman, the sole purpose of this amendment is to extend these so-called nuisance or excise taxes for a period of 1 year instead of 2 years. The bill, as brought to us by the committee, extends these hidden taxes for a period of 2 years. Under the amendment offered here there would be no diminution of revenue from this source for the next fiscal year.

I believe that all of us who are familiar with these excise taxes realize that while they may be burdensome in the matter of accounting to certain industries, it is the people generally who have to pay these hidden taxes. The money raised, and it is very substantial in amount, is not paid by industry but comes out of the pockets of the taxpayers of this country. On page 15 of the committee's report you will find this language:

Your committee recommends that these temporary provisions be extended for a period of 2 years. These temporary provisions are not regarded as ideal ingredients of our tax structure, but because their administration has been perfected, and because our economy has been adjusted to them, it is deemed inadvisable to sacrifice at this time the revenue they produce.

The committee further states:

Your committee is sensible of the general undesirability of these taxes, but their extension for 2 years will not preclude action by the Congress to remove or revise them earlier if the condition of the revenue permits.

If we keep on continuing these taxes for periods as long as 2 years at a time we shall never get any relief from them. It is true that certain nuisance taxes from time to time have been eliminated but they were not nearly as burdensome to the great majority of the people as some of the excise taxes which are in force today. A glance at these excise taxes past and present is interesting.

I call your attention to the excise taxes that were repealed a year ago:

Tax on furs, tax on phonograph records, tax on sporting goods, tax on cameras, tax on chewing gum, tax on brewers' wort, and the tax on various other articles.

How does this compare with the tax to be continued under the new act on lubricating oils, on gasoline, on electric energy, on tires and tubes, toilet preparations, automobile trucks, passenger automobiles and motorcycles, parts and accessories for automobiles, and radio sets. These are the articles that are used generally by nearly all of the people of this country more or less indiscriminately and these are the products which bear these hidden taxes at this time. Why should they be continued for more than a year?

The great Ways and Means Committee will have ample time within which to go into this matter of a revision of these taxes. I have seen reports in the current press that the chairman of the committee is going to call either his full committee or a subcommittee together during the recess of Congress or after adjournment so that the matter of a revision of these taxes can be considered, and it is generally understood throughout the country and by the press of the country that there should be a revision in this type of taxes. All agree these taxes are unsound in principle. [Applause.]

[Here the gavel fell.]

Mr. KNUTSON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I do not think the criticism of my colleagues on the Republican side against the continuance of these nuisance taxes is justified and I say this because the condition of the country and of the Federal Treasury is more serious today than it was in 1932 when these taxes were first imposed.

According to the American Federation of Labor there are more unemployed in this country today than there were in 1932. The national debt is twice what is was in 1932. Today the interest charge on our national debt is over $1,000,000,000, and as long as this unfortunate situation continues, we must raise money by some means, and I can think of no better way than continuing these nuisance taxes, and I hope my Republican colleagues will desist from any further criticism.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Pennsylvania.

Mr. RICH. It will be impossible for us to get along if we do not have some taxes and get revenue from some place. I agree with the gentleman from Minnesota and while we do not want taxes, if we are going to try to keep this Nation from being sunk, we will have to go along with the gentlemen on the other side to get the taxes. They are responsible for this great spending spree that we are in, and we would rather have them go ahead and raise the money by taxation than to sink the Nation, and for this reason I say we must go along and collect the taxes. [Applause.]

Mr. KNUTSON. Let me say to my good friend from Pennsylvania that we are going to bale out in 1940, and we are not going to sink unless we get 4 more years of New Deal.

Mr. McCORMACK Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman.

Mr. McCORMACK. Is the gentleman for or against the pending amendment?

Mr. KNUTSON. I am for it.

Mr. McCORMACK. Did the gentleman in committee seek to have them extended for 1 year?

Mr. KNUTSON. I do not think——

Mr. McCORMACK. Did the Republican Members offer any objection to this or make any reservation of objection?

Mr. KNUTSON. No; because the Republicans——

Mr. McCORMACK. It is a rather strange situation when members of a committee sit together and in executive session unanimously agree upon something, and there is no reservation made, to then see the minority come in and take a position in opposition to what they agreed upon in committee.

Mr. KNUTSON. My dear sir, I did not yield for a speech.

Mr. McCORMACK. I have never done that myself.

Mr. KNUTSON. Let me say to the gentleman that I refuse to yield further. My time is almost up, and I want to reply to the gentleman.

Mr. McCORMACK. You did not do it, did you? You did not reserve the right?

Mr. KNUTSON. Mr. Chairman, I refuse to yield further. Let me say to the gentleman from Massachusetts that he entirely misses the point. What I am saying is that these nuisance taxes under present conditions are needed and must be continued because of the extravagance of the New Deal.

Mr. COCHRAN. Then you are going to vote for them?

Mr. KNUTSON. I am going to vote for them, certainly. I have no alternative, as I see it.

[Here the gavel fell.]

Mr. RICH. Mr. Chairman, I rise in opposition to the pro forma amendment, but I am going to vote for these taxes. We must have money to operate the Government or else it will be wrecked. I am, however, more in favor of stopping the ridiculous expenditures of Government money. The waste and inefficiency in Government at this time is just terrible. We should curb and cut our expenses to the bone or soon there will be no one to pay taxes. Because the Appropriations Committee and because the Members of the House of Representatives and Senate have gone haywire and have spent and spent and spent, I realize that it is very essential in order to maintain our form of government, to have taxes. We are forced into it, we have to vote for that. If we want to be honest, if we want to be sincere, if you want to try to do the right thing, we must go back to the people of this country and say, "You have got to pay the bill for your folly of coming to Congress and asking us to spend this money; you are not wholly responsible for spending this money, but you are responsible for coming in now and saying that you have got to pay taxes." Just because you so foolishly have spent money. Somebody has to pay this bill, and you fellows on the democratic side of the aisle are responsible for spending this money. You fellows are responsible for having your constituents come to us and say, "Give me a handout," and you gave it to them; now you should tell them that they have to pay the bill, and that here is the assessment for your folly of the New Deal.

Mr. COCHRAN. Mr. Chairman, will the gentleman yield?

Mr. RICH. Yes.

Mr. COCHRAN. Will the gentleman put a list in the RECORD of appropriation bills he has voted against?

Mr. RICH. Oh, the gentleman said that he was going to put a list in, and I welcome it. My record is the best of any Member of the House, or just as good. I am proud of it.

Mr. COCHRAN. Oh, no. I do not do that nor did I say I would.

Mr. RICH. Oh, yes; the gentleman did. I want the gentleman to speak for himself. I have voted for hardly any of them, and this is the second time the gentleman has come on the floor and challenged me. I suggest that the gentleman look up the record, and he will find that I am right. A good record for economy in government is mine.

Mr. BUCK. How did the gentleman vote on Friday last on the matter of W. P. A.?

That vote was at 1:15 Saturday morning.

Mr. RICH. I voted for that bill on Friday because you took away a lot of power from the President, and because of the way that you are running this Government I realize that you have to take care of some of the poor people of the country. When it comes to voting, there is not a vote that I cannot explain and sustain, but you fellows have been so wishy-washy and so wobbly that you do not know half the time where you are. [Applause and laughter.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio.

The question was taken; and on a division (demanded by Mr. HARTER of Ohio) there were—ayes 57, noes 83.

So the amendment was rejected.

Mr. COCHRAN. Mr. Chairman, I move to strike out the last word. When this bill was pending in the last Congress I made some remarks on the subject of labor-saving and labor-displacing devices. I had introduced a resolution, referred to the Committee on Ways and Means, which provided for an investigation by the Treasury and other Government agencies to determine to just what extent new inventions had displaced manpower. I could not offer my resolution as an amendment to the bill then, nor can I do it now because it is subject, as I know, to a point of order. When the bill reached the Senate a year ago the senior Senator from my State [Mr. CLARK] added the provision to the bill, but it was eliminated in conference. The explanation I received for that action was it would have a tendency to disturb business. Of course, it would disturb business, but the question is of such importance it cannot much longer be delayed. I admit the thought was in my mind that if the information obtained justified it, consideration could be given to the question of taxing the machines that displaced manpower.

Recently I called attention of the House to the installation of 26 machines in a steel plant in Pittsburgh, which, when operated by 600 men, did the same amount of work as had previously been done by 85,000 men. Who is going to take care of the 84,400 men and their families?

I read in the St. Louis Post-Dispatch of June 18—yesterday—an article telling how machines have finally arrived in the Ozarks of Missouri that are displacing the tiff miners of that section. Ten men operating a machine in southeast Missouri about 40 miles south of St. Louis displaces and equals the output of 300 who used the old method of pick and shovel in mining tiff, which is used in the manufacture of paint. I have visited that section, watched the tiff miners work, looked over their homes, if they could be called such, and I am not exaggerating when I tell you there is hardly a tiff miner's family in Missouri that does not consist of eight—the husband, wife, and six children. That is a fair average. I know this is hard to believe, but, nevertheless, it is the truth. They generally live, the entire family, in one or two rooms.

One old miner, who spent his life at this work, said he knew they could not fight progress, that they could not stand in the way of progress, but, nevertheless, their living was being taken away from them by progress.

Just to show you what happens to the community, I cite the statement that in Washington County, Mo., there is a population of 15,000, and 3,600 are receiving direct relief, exclusive of 600 on W. P. A. and 200 in the Civilian Conservation Corps.

The machines would probably have never been installed had it not been that the miners organized and demanded and secured $1.50 a ton for that which they mined with pick and shovel. At times it would take the entire family to mine a ton a day.

That you will realize how serious this is I am quoting the article from the Post-Dispatch as part of my remarks. It follows:

MACHINES DRIVE HAND MINERS OF TIFF FROM JOBS—MECHANISM OPERATED BY 10 MEN NEAR POTOSI, MO., ABLE TO DO WORK OF 300 WHO USE OLD METHOD—WASHINGTON COUNTY RELIEF ROLLS GROW—HALF OF POPULATION THERE RECEIVING AID, IT IS ESTIMATED—FINDING NEW EMPLOYMENT A PROBLEM

(By Spencer R. McCulloch)

POTOSI, MO., June 17.—Progress, in the form of machinery, has cut the ground from beneath the tiff miners of Washington County. Their means of livelihood, precarious at best, is disappearing with increasing widespread use of washers and steam shovels, which strip tiff from the soil, leaving jobless miners in their wake.

Desperate and perplexed, the tiff diggers don't know what to do about it. Relief rolls are mounting. Families are in dire straits. Chances for employment in other fields are negligible. An unskilled generation, brought up to do nothing but dig tiff, finds itself destitute with scant hope for the present and none for the future. But for Government aid, hundreds would find themselves facing actual starvation.

MACHINES DISPLACE MEN

Machine-made gashes upon the red clay hills of this countryside, for generations the center of barite mining in the United States, symbolize the impending end of hand mining of tiff. Miners who were jubilant 4 years ago when they broke precedent and struck and won a $1.50-a-ton increase in pay find themselves disunited now when confronted with an economic problem affecting the entire community. A major national social problem—the displacement of men by the machine—has found complete expression in the confines of this rural county.

Capacity of mechanized outfits differ with size. They cost from $6,000 to $20,000. Some operators run several of them. It is estimated that 1 mechanized outfit, employing a crew of 10 men in an 8-hour day, can duplicate the work of 300 hand miners and send cleaner tiff to market. Operators, when the market permits, run day and night on three shifts. Mechanical methods also enable the producer to go over land previously mined by the diggers and glean tiff from earth so lean that it wouldn't pay a digger to attempt to mine it. One producer figured on reclaiming 2,000 tons to the acre from such land. The area he was mining resembled "no man's land" in barren reaches of upturned earth and red clay trenches.

RELIEF ROLLS GROWING

Washington County miners, with their market already sharply reduced and every indication it may vanish entirely, are in more desperate straits than ever before. Relief rolls in May increased by 254 families. Another 100 have been added this month. About 3,600 persons in a county of 15,000 population are receiving direct relief, exclusive of 600 on the W. P. A. rolls and about 200 in C. C. C. camps. It was estimated that half the county's population are directly or indirectly dependent upon relief.

All elements, from chamber of commerce directors to tiff miners, indicated that they realized relief funds represent a temporary stopgap and are appalled at the possibilities if such aid should be discontinued. In the meantime, relief money has created an artificial purchasing power and this county seat looks prosperous, with a new motion-picture theater, hotel, night club, and brick fronts along the main street.

OPERATORS' SIDE OF IT

Operators who have turned to machinery assert that they must compete with mechanized fields. Development of mechanized tiff mining is akin to the growth of strip mining in the Illinois coal fields, which drove thousands of miners from the mines. It is cheaper and easier to mine tiff in large quantities with machinery than by hand. Mechanization, too, at this stage of its development lessens the probability of labor trouble. It is significant that a wider use of washers has come into being in the Washington County field since the strike 4 years ago.

Machinery, in itself, is nothing new in the tiff field. The National Pigments & Chemical Co., a subsidiary of the National Lead Co., which dominates the Washington County field, has operated washers before. So have some other large operators. But until now the hand miner found a ready market for his tiff. Before the 1935 organization—something new in the tiff fields—competitive conditions were different. It was nearly as cheap to buy hand-mined tiff. The mineral itself was quickly mined by hand. Now many surface veins have been depleted. The miner accumulates dead-time sinking shafts, which often lead to nothing.

WASHERS IN GENERAL USE

Now washers are coming into general use. Small operators have purchased outfits. The market is being glutted. The hand miner is being frozen out. Increasingly, operators aren't buying hand-mined tiff. Their machines and relatively small crews do the work.

Operation of a typical washer is simple. An ordinary gas or steam shovel fills a truck with tiff-laden dirt in jig time. Three big scoops,

3 minutes, and the load is ready to go to the washer. A ton of clean tiff usually is derived from four such truckloads.

The truck is driven over a grating at the washing plant. There its load is dumped. It passes through to a sort of paddle wheel, known as a log, swirling in water under high pressure, which throws the dirt and water one way and diverts tiff and gravel against a big breaker. The breaker, resembling a revolving boiler with holes punched in it, crushes and washes the tiff and separates it from the gravel. The crushed tiff, still in need of processing, pours from chutes like streams of white marbles.

COMPANY CUTS PURCHASES

More than ever the lead company, as it is generally termed here, represents a crucial factor. It is the major market for most producers. And it is still buying tiff from about 600 miners who dig on its property. It is paying them $7 a ton—more than they can get elsewhere, and, in the face of impending cuts, has announced it would stand by the 1935 agreement and not institute a cut without 30 days' notice. But on May 1 it cut the quota of its outside purchases by one-third.

Mechanized operators, who sold the bulk of their output to the company, met the cut by curtailing their production and dropping altogether such miners as they had continued to buy from. Stacked about the company's Fountain Farms plant, headquarters of its 10,000-acre tiff field, are 64,000 tons of tiff. That is twice its normal stock pile and is sufficient to take care of its requirements for several years, regardless of labor or market conditions. The company not only converts tiff into a paint base and other commercial uses but holds a patent on a preparation widely used in sealing oil wells. The patent will expire shortly. Possibility of tapping the increasing market in the oil fields may have been an influence in inducing other operators to enter the mechanized field.

MINERS FACE PROBLEM

Tiff miners, nominally members of the International Union of Mine, Mill, and Smelter Unions, a Congress of Industrial Organizations affiliate which absorbed them after the strike, told the writer of their futile fight against the machine. Miners in one section, at Palmer, requiring trucking to the weighing scales, the writer was told, had averaged only about $4.75 in the last 90 days.

What to do about it? In their hillside shacks and a store used as union headquarters, miners anxiously discuss ways and means. In stores and offices chamber of commerce members mull over the problem. Miners and businessmen met amicably recently in the courthouse and are serving on a joint committee to try to find means of taking care of the unemployed surplus. Thus far no solution has been found.

AS TO THE FUTURE

Ultimate exclusive use of machines, it was conceded by both operators and miners, would result in a relatively small number of men at work steadily at wages ranging from 25 cents to 75 cents an hour and the entire elimination of child labor in the tiff fields. How many of about 3,000 miners in the county would be forced to try to find other work has not been established, although it was regarded as probable that mechanization would not take care of more than a small percentage of them.

Operators, storekeepers, dependent largely on miner trade, are seeking means to divert miners into other industries. Thus far this has been mainly wishful thinking. It is still necessary, usually, to send to St. Louis for a bricklayer or skilled mechanic. A shoe factory was induced to open here after the chamber of commerce had raised a guaranty, but thus far its promises of employment to local men have not materialized. Other suggestions range from raising goats to strawberries.

Ernest Pearce, one of the mechanized operators, is constructing a brick and pottery plant and hopes to furnish employment to some of his miners displaced by the machines. But his individual efforts cannot begin to absorb the surplus even if his expectations are realized.

The plight of the miners was realistically expressed recently by George Bourbon, elderly miner who has spent a lifetime digging tiff. Bourbon arose at a meeting of miners and businessmen, ran his hand through his thatch of gray hair, said: "The washers may be progress. It looks like they have come to stay. We can't stand in the way of progress. But our living is gone."

Mr. Chairman, yes, business no doubt was disturbed at my suggestion, but not half so much disturbed as the workers whose source of employment is taken from them by the labor-saving and labor-displacing devices.

Who, I ask, is going to take care of the men and their large families, not one of which has ever followed any other occupation in their lives?

The answer is the Government, through W. P. A. or some other form of relief.

I hope the Committee on Ways and Means will report out my resolution and let us get the facts. [Applause.]

The CHAIRMAN. The time of the gentleman from Missouri [Mr. COCHRAN] has expired.

Mr. PETERSON of Florida. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, ladies and gentlemen of the Committee, the statement that has been made by my friend the gentleman from Missouri [Mr. COCHRAN] illustrates in that particular section what is being done by labor-saving devices. What he said is equally true with reference to one of the large industries in my district, the cigar industry, and which extends into many other States of the Union.

For a long period of time this industry tried to manufacture the higher priced hand-made cigars, and gradually the competition was such that many were forced to the machine-made cigars to meet ever-increasing competition. The margin of profit became closer and closer, and this brings us to the question of tax relief, and I use this time to call the attention of the House to a bill which I have pending to reduce the tax on class A cigars one-half. Class A represents cigars which are to retail at not more than 5 cents. Now the tax on class A cigars is bringing in about twice what it was originally estimated it would bring, for the reason that at the time the tax was fixed upon the class A cigars, the class A cigars represented only 46.09 percent of the output of cigars in 1926; but the increase is such that today the class A cigar represents 89 percent of all the cigars manufactured. Whereas in the original estimate the great number of class A were originally retailed at 5 cents, today the increase in the lower-priced cigars in class A has been such that the two-for-five and three-for-five cigars are greater in proportion than the 5-cent cigars.

They are today paying the same tax as at the 5 cents originally. I am hopeful that in the course of this Congress we may be able to get action upon that particular bill. I am deeply appreciative of the courtesy which the committee has extended to me. I realize their problem. I realize their problem with reference to the extension of the excise taxes generally, and in this particular bill could not take up all the details of individual cases. However, I wanted to present these facts to you today, so that when the matter does come up you may be familiar with it and help us reduce this tax. The difference in tax means the difference between profit and loss. In some cases it may be the difference which necessitates use of machines; in some cases it may mean the question of the actual continuation in business. Other taxes have since been added to tobaccos and cigars. The point of diminishing returns has been reached. My bill will enable a continuation and the payment of taxes. Unless relief is granted both labor and industry will suffer. These cigar workers are skilled workmen—many too old to learn other trades. Workmen who take pride in their handicraft. Give them a chance. I believe you can see the fairness of the bill. I invite your attention to two tables which I will include in the RECORD. This matter affects many of your States. I hope the committee can help us. [Applause.]

The tables referred to are as follows:

United States production of cigars and percentage of cigar production by classes

[Class A cigars are those which are made to retail for not more than 5 cents; class B, more than 5 cents but not more than 8 cents; class C, more than 8 cents but not more than 15 cents; class D, more than 15 cents but not more than 20 cents; class E, more than 20 cents]

Year	Cigars weighing more than 3 pounds per 1,000	Cigars weighing not more than 3 pounds per 1,000	Class A	Class B	Class C	Class D	Class E
1926	6,498,641,000	412,315,000	46.09	13.74	37.56	2.17	0.44
1927	6,519,005,000	439,419,000	50.17	11.00	36.17	2.18	.48
1928	6,373,182,000	415,535,000	53.21	9.57	34.60	2.11	.43
1929	6,518,533,000	419,880,000	56.34	8.50	32.64	2.12	.40
1930	5,893,890,000	383,070,000	62.30	6.37	29.03	1.95	.35
1931	5,347,921,000	338,997,000	70.85	3.07	24.32	1.53	.23
1932	4,382,723,000	278,748,000	79.61	1.13	17.95	1.20	.11
1933	4,300,045,000	209,515,000	85.64	.74	12.50	1.00	.12
1934	4,597,192,000	221,411,000	86.21	1.24	11.63	.84	.08
1935	4,763,884,000	179,233,000	88.13	1.34	9.67	.77	.09
1936	5,182,899,000	179,054,000	88.05	1.01	10.09	.76	.09
1937	5,317,437,000	198,890,000	87.95	1.03	10.18	.75	.09
1938 [1]	4,288,918,141		89.00	1.00	9.30	0.7	

[1] 10 months.

Cigars weighing more than 3 pounds per thousand: Number removed tax paid, by classes, calendar year 1936, by collection districts and by States

District	Class A (manufactured to retail at not more than 5 cents each) tax paid at $2 per thousand	Class B (manufactured to retail at more than 5 cents each and not more than 8 cents each) tax paid at $3 per thousand	Class C (manufactured to retail at more than 8 cents each and not more than 15 cents each) tax paid at $5 per thousand	Class D (manufactured to retail at more than 15 cents each and not more than 20 cents each) tax paid at $10.50 per thousand	Class E (manufactured to retail at more than 20 cents each) tax paid at $13.50 per thousand	Total	Value of stamps used
	Number	*Number*	*Number*	*Number*	*Number*	*Number*	
Alabama	544,590	600	850			546,040	$1,095.23
Arkansas	579,850	3,825	1,650			585,325	1,179.43
First California	36,721,982	314,100	2,530,551	23,100	555	39,590,288	87,289.06
Sixth California	10,751,765	591,670	15,107,612	12,650	5,465	26,469,162	99,023.20
Colorado	787,795	4,050	91,575	100	100	883,620	2,048.02
Connecticut	26,704,485	341,080	6,385,665	900		33,432,130	86,369.99
Delaware	180,950	3,600	9,675			194,225	421.07
Florida	595,757,501	9,826,124	92,929,054	21,838,488	280,137	720,631,304	1,918,724.62
Georgia	11,627,077	8,375	489,780	26,525		12,151,757	26,006.69
Idaho	87,875		16,825			104,700	259.87
First Illinois	20,103,169	459,097	9,902,259	336,775	12,518	30,813,818	94,800.05
Eighth Illinois	6,363,570	154,375	298,600			6,816,545	14,683.27
Indiana	83,140,940	207,725	14,537,034	8,400	1,375	97,895,474	239,696.99
Iowa	3,774,855	243,500	86,150		984	4,105,489	3,724.24
Kansas	169,575	300	925			170,800	344.68
Kentucky	4,540,600	41,850	228,281		10	4,810,741	10,348.29
Louisiana	56,849,126	577,225	14,436,770	72,675	650	71,936,446	188,385.64
Maine	1,362,575	113,150	737,515			2,213,240	6,752.17
Maryland	12,074,168	251,420	490,311		200	12,816,099	27,356.85
Massachusetts	28,462,045	580,780	12,557,450	31,450	1,150	41,632,875	121,799.43
Michigan	186,562,451	862,870	35,489,934	72,575	11,250	222,000,080	554,077.09
Minnesota	11,744,257	3,000	318,430			12,065,687	25,089.66
First Missouri	5,446,374	7,250	574,475	3,500	4,400	6,035,999	13,883.02
Sixth Missouri	22,395,595	95,700	494,060			22,985,355	47,548.59
Montana	135,850	900	137,050			273,800	959.65
Nebraska	714,050	4,750	24,500			743,300	1,564.85
Nevada	87,950		34,744			122,694	349.62
New Hampshire	50,927,010	37,750	10,803,009	1,075		61,768,844	155,993.60
First New Jersey	143,201,948	3,892,990	55,008,194	1,912,234	26,950	204,042,316	593,566.12
Fifth New Jersey	313,692,969	18,320,500	74,110,998	1,447,771	34,525	407,606,763	1,068,570.11
First New York	65,640,553	1,320,298	5,360,469	184,325	3,675	72,509,320	164,029.37
Second New York	22,643,243	1,532,444	5,034,759	609,820	30,861	29,851,127	81,877.35
Third New York	42,989,042	2,443,883	23,167,353	1,512,877	114,057	70,227,212	226,571.48
Fourteenth New York	58,583,971	2,381,855	7,922,353	18,425	675	68,907,279	164,127.85
Twenty-third New York	4,854,940	11,100	585,350			5,451,390	12,669.93
Twenty-eighth New York	6,579,175	148,400	733,825			7,461,400	17,272.67
North Carolina	35,926,400	50				35,926,450	71,852.95
North Dakota	57,750					57,750	115.50
First Ohio	27,645,318	193,953	1,035,501	1,200	512	28,876,484	61,069.51
Tenth Ohio	157,043,852	4,339,852	2,891,222			164,274,869	341,563.20
Eleventh Ohio	15,830,866	36,092	38,780			15,905,738	31,963.91
Eighteenth Ohio	48,031,524	351,669	1,010,238	1,945		49,395,376	102,189.67
Oklahoma	30,825					30,825	61.65
Oregon	401,125		76,250			477,375	1,183.50
First Pennsylvania	1,446,272,407	3,191,238	105,267,702	1,001,945	18,010	1,555,751,302	3,439,220.60
Twelfth Pennsylvania	231,838,779	70,700	10,068,068	19,385	500	241,997,450	514,440.38
Twenty-third Pennsylvania	56,756,612	27,200	39,010			56,822,822	113,789.87
Rhode Island	7,349,475		32,275			7,381,750	14,860.32
South Carolina	250,507,913	15,400	43,650			250,566,963	501,280.28
South Dakota	248,350	200	23,950			272,500	617.05
Tennessee	2,099,690	19,000	221,510	200		2,340,400	5,366.03
First Texas	8,421,005	9,425	2,482,945	16,775	1,300	10,931,450	29,478.70
Second Texas	59,900	17,300	100			77,300	172.20
Utah	718,225		285,473			1,003,698	2,863.81
Vermont	18,000		50			18,050	36.25
Virginia	261,064,424	32,450	323,900			261,420,774	523,845.70
Washington	372,600	1,550	18,100			392,250	840.35
West Virginia	88,922,554	12,000	1,600	2,500		88,938,654	177,915.36
Wisconsin	23,449,574	124,675	3,084,237	90,406	900	26,749,792	63,655.77
Wyoming	5,000		2,400			7,400	22.00
Total, 1936	4,499,856,039	53,229,233	517,585,014	29,248,021	550,759	5,100,469,066	12,061,864.31
Total, 1935	4,120,595,333	66,401,339	464,598,295	25,937,966	525,466	4,678,058,399	11,042,828.59
Increase	379,260,706		52,986,719	3,310,055	25,293	422,410,667	1,019,035.72
Decrease		13,172,106					

The Clerk read as follows:

TITLE II—INCOME TAX AMENDMENTS

SEC. 201. Corporation tax in general.

Sections 13, 14, and 15 of the Internal Revenue Code are amended to read as follows:

"SEC. 13. Tax on corporations in general.

"(a) Definitions: For the purposes of this chapter—

"(1) Adjusted net income: The term 'adjusted net income' means the net income minus the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations.

"(2) Normal-tax net income: The term 'normal-tax net income' means the adjusted net income minus the credit for dividends received provided in section 26 (b).

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation the normal-tax net income of which is more than $25,000 (except a corporation subject to the tax imposed by section 14, section 231 (a), Supplement G, or Supplement Q) whichever of the following taxes is the lesser:

"(1) General rule: A tax of 18 percent of the normal-tax net income; or

"(2) Alternative tax (corporations with normal-tax net income slightly more than $25,000): A tax of $3,525, plus 32 percent of the amount of the normal-tax net income in excess of $25,000.

"(c) Exempt corporations: For corporations exempt from taxation under this chapter, see section 101.

"(d) Tax on personal holding companies: For surtax on personal holding companies, see section 500.

"(e) Improper accumulation of surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

"SEC. 14. Tax on special classes of corporations.

"(a) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of the following corporations (in lieu of the tax imposed by section 13) the tax hereinafter in this section specified.

"(b) Corporations with normal-tax net incomes of not more than $25,000: If the normal tax net income of the corporation is not more than $25,000, and if the corporation does not come within one of the classes specified in subsection (c), (d), or (e) of this section, the tax shall be as follows:

"Upon normal-tax net incomes not in excess of $5,000, 12½ percent.

"$625 upon normal-tax net incomes of $5,000, and upon normal-tax net incomes in excess of $5,000 and not in excess of $20,000, 14 percent in addition of such excess.

"$2,725 upon normal-tax net incomes of $20,000, and upon normal-tax net incomes in excess of $20,000, 16 percent in addition of such excess.

"(c) Foreign corporations:

"(1) In the case of a foreign corporation engaged in trade or business within the United States or having an office or place of business therein, the tax shall be an amount equal to 18 percent of the normal-tax net income, regardless of the amount thereof.

"(2) In the case of a foreign corporation not engaged in trade or business within the United States and not having an office or place of business therein, the tax shall be as provided in section 231 (a).

"(d) Insurance companies: In the case of insurance companies, the tax shall be as provided in Supplement G.

"(e) Mutual investment companies: In the case of mutual investment companies, as defined in Supplement Q, the tax shall be as provided in such supplement.

"(f) Exempt corporations: For corporations exempt from taxation under this chapter, see section 101.

"(g) Tax on personal holding companies: For surtax on personal holding companies, see section 500.

"(h) Improper accumulation or surplus: For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102."

SEC. 202. Tax on banks and trust companies.

Section 104 (b) of the Internal Revenue Code (relating to the tax on banks) is amended to read as follows:

"(b) Rate of tax: Banks shall be subject to tax under section 13 or section 14 (b)."

SEC. 203. Tax on life-insurance companies.

Section 201 (b) of the Internal Revenue Code (relating to the tax on life-insurance companies) is amended to read as follows:

"(b) Imposition of tax—

"(1) In general: In lieu of the tax imposed by sections 13 and 14, there shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every life-insurance company a tax at the rates provided in section 13 or section 14 (b).

"(2) Normal-tax net income or foreign life-insurance companies: In the case of a foreign life-insurance company, the normal-tax net income shall be an amount which bears the same ratio to the normal-tax net income, computed without regard to this paragraph, as the reserve funds required by law and held by it at the end of the taxable year upon business transacted within the United States bear to the reserve funds held by it at the end of the taxable year upon all business transacted.

"(3) No United States insurance business: Foreign life-insurance companies not carrying on an insurance business within the United States and holding no reserve funds upon business transacted within the United States, shall not be taxable under this section but shall be taxable as other foreign corporations."

SEC. 204. Tax on insurance companies other than life or mutual.

Section 204 (a) of the Internal Revenue Code (relating to the tax on insurance companies other than life or mutual) is amended to read as follows:

"(a) Imposition of tax—

"(1) In general: In lieu of the tax imposed by sections 13 and 14, there shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every insurance company (other than a life or mutual insurance company) a tax at the rates provided in section 13 or section 14 (b).

"(2) Normal-tax net income of foreign companies: In the case of a foreign insurance company (other than a life or mutual insurance company), the normal-tax net income shall be the net income from sources within the United States minus the sum of—

"(A) Interest on obligations of the United States and its instrumentalities: The credit provided in section 26 (a).

"(B) Dividends received: The credit provided in section 26 (b).

"(3) No United States insurance business: Foreign insurance companies not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations."

SEC. 205. Tax on mutual insurance companies other than life.

Section 207 (a) of the Internal Revenue Code (relating to the tax on mutual insurance companies other than life) is amended to read as follows:

"(a) Imposition of tax.—

"(1) In general: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every mutual insurance company (other than a life insurance company) a tax at the rates provided in section 13 or section 14 (b).

"(2) Foreign corporations: The tax imposed by paragraph (1) shall apply to foreign corporations as well as domestic corporations; but foreign insurance companies not carrying on an insurance business within the United States shall be taxable as other foreign corporations."

SEC. 206. Tax on resident foreign corporations.

Section 231 (b) of the Internal Revenue Code (relating to the tax on resident foreign corporations) is amended to read as follows:

"(b) Resident corporations: A foreign corporation engaged in trade or business within the United States or having an office or place of business therein shall be taxable as provided in section 14 (c) (1)."

SEC. 207. Tax on corporations entitled to the benefits of section 251.

Section 251 (c) (1) of the Internal Revenue Code (relating to tax on corporations deriving a large part of their income from sources within a possession) is amended to read as follows:

"(1) Corporation tax: A domestic corporation entitled to the benefits of this section shall be subject to tax under section 13 or section 14 (b)."

SEC. 208. Tax on China Trade Act corporations.

Section 261 (a) of the Internal Revenue Code (relating to the tax on China Trade Act corporations) is amended to read as follows:

"(a) Corporation tax: A corporation organized under the China Trade Act, 1922, 42 Stat. 849 (U. S. C., 1934 ed., title 15, ch. 4), shall be subject to tax under section 13 or section 14 (b).

SEC. 209. Tax on mutual investment companies.

Section 362 (b) of the Internal Revenue Code (relating to the tax on mutual investment companies) is amended to read as follows:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the Supplement Q net income of every mutual investment company a tax equal to 18 percent of the amount thereof."

SEC. 210. Technical amendments made necessary by change in corporation tax.

(a) Section 21 (b) of the Internal Revenue Code is amended to read as follows:

"(b) Cross references: For definition of 'adjusted net income' and 'normal-tax net income' see section 13."

(b) Section 141 (j) of the Internal Revenue Code (relating to affiliated corporations in bankruptcy or receivership) shall not apply with respect to a taxable year beginning after December 31, 1939.

(c) Section 262 of the Internal Revenue Code (relating to additional credits of China Trade Act corporations) is amended by striking out "sections 14 and 600" and inserting in lieu thereof "sections 13, 14, and 600"; and by striking out "section 14" wherever it appears and inserting in lieu thereof "section 13 or 14."

SEC. 211. Net operating losses.

(a) Section 23 of the Internal Revenue Code (relating to deductions from gross income) is amended by inserting at the end thereof the following:

"(s) Net operating loss deduction: In the case of a corporation, for any taxable year beginning after December 31, 1939, the net operating loss deduction computed under section 122."

(b) The Internal Revenue Code is amended by inserting after section 121 the following new section:

"SEC. 122. Net operating loss deduction.

"(a) Definition of net operating loss: As used in this section, the term 'net operating loss' means the excess of the deductions allowed by this chapter over the gross income, with the exceptions and limitations provided in subsection (d).

"(b) Amount of carry-over: The term 'net operating loss carry-over' means in the case of any taxable year the sum of:

"(1) The amount, if any, of the net operating loss for the first preceding taxable year; and

"(2) The amount of the net operating loss, if any, for the second preceding taxable year reduced by the excess, if any, of the net income (computed with the exceptions and limitations provided in subsection (d)) for the first preceding taxable year over the net operating loss for the third preceding taxable year.

"(c) Amount of net operating loss deduction: The amount of the net operating loss deduction shall be the amount of the net operating loss carry-over reduced by the amount, if any, by which the net income (computed with the exceptions and limitations provided in subsection (d)) exceeds the normal tax net income (computed without such deduction);

"(d) Exceptions and limitations: The exceptions and limitations referred to in subsections (a), (b), and (c) shall be as follows:

"(1) The deduction for depletion shall not exceed the amount which would be allowable if computed without reference to discovery value or to percentage depletion under section 114 (b) (2), (3), or (4);

"(2) There shall be included in computing gross income the amount of interest received which is wholly exempt from the taxes imposed by this chapter, decreased by the amount of interest paid or accrued which is not allowed as a deduction by section 23 (b), relating to interest on indebtedness incurred or continued to purchase or carry certain tax-exempt obligations;

"(3) No net operating loss deduction shall be allowed;

"(4) The deduction on account of long-term capital losses shall not exceed the amount of the long-term capital gains, and the deduction on account of short-term capital losses shall not exceed the amount of the short-term capital gains.

"(e) No carry-over from year prior to 1939: As used in this section, the term 'third preceding taxable year', 'second preceding taxable year', and 'first preceding taxable year' do not include any taxable year beginning prior to January 1, 1939."

(c) Denial of deduction to section 102 corporations: Section 102 (d) (1) of the Internal Revenue Code (relating to the definition of sec. 102 net income) is amended by striking out "The term 'section 102 net income' means the net income minus the sum of" and inserting in lieu thereof "The term 'section 102 net income' means the net income, computed without the net operating loss deduction provided in section 23 (s), minus the sum of."

(d) Denial or deduction to foreign personal holding companies: Section 336 (b) of the Internal Revenue Code (relating to disallowed deductions in computing net income of foreign personal holding companies) is amended by inserting at the end thereof the following:

"(3) Net loss carry-over disallowed: The deduction for net operating losses provided in section 23 (s) shall not be allowed."

(e) Denial or deduction to mutual investment companies: Section 362 (a) of the Internal Revenue Code (relating to definition of Supplement Q net income) is amended to read as follows:

"(a) Supplement Q net income: For the purposes of this chapter the term 'Supplement Q net income' means the adjusted net income, computed without the net operating loss deduction provided in section 23 (s), minus the basic surtax credit computed under section 27 (b) without the application of paragraphs (2) and (3)."

(f) Denial of deduction to domestic personal holding companies: Section 505 of the Internal Revenue Code (relating to definition of

subchapter A net income) is amended by inserting at the end thereof the following:

"(c) Net loss carry-over disallowed: The deduction for net operating losses provided in section 23 (s) shall not be allowed."

(g) Technical amendment: Section 26 (c) (2) of the Internal Revenue Code (relating to operating loss credit) is amended by striking out "chapter" and inserting in lieu thereof "section."

SEC. 212. Corporation capital losses.

(a) Limitations: Section 117 (d) of the Internal Revenue Code (relating to limitation on capital losses) is amended to read as follows:

"(d) Limitation on capital losses: Long-term capital losses shall be allowed, but short-term capital losses shall be allowed only to the extent of short-term capital gains."

(b) Net short-term loss carry-over: Section 117 (e) of the Internal Revenue Code (relating to the 1-year carry-over of net short-term capital loss) is amended to read as follows:

"(e) Net short-term capital loss carry-over: If any taxpayer sustains in any taxable year, beginning after December 31, 1937, in the case of a taxpayer other than a corporation, or beginning after December 31, 1939, in the case of a corporation, a net short-term capital loss, such loss (in an amount not in excess of the net income for such year) shall be treated in the succeeding taxable year as a short-term capital loss, except that it shall not be included in computing the net short-term capital loss for such year."

(c) Capital losses of foreign personal holding companies: Section 336 of the Internal Revenue Code (relating to definition of Supplement P net income) is amended by inserting at the end thereof the following new subsection:

"(c) Capital losses: The net income shall be computed without regard to section 117 (d) and (e), and losses from sales or exchanges of capital assets shall be allowed only to the extent of $2,000 plus the gains from such sales or exchanges."

(d) Capital losses of domestic personal holding companies: Section 505 of the Internal Revenue Code (relating to definition of subchapter A net income) is amended by inserting at the end thereof the following new subsection:

"(d) Capital losses: The net income shall be computed without regard to section 117 (d) and (e), and losses from sales or exchanges of capital assets shall be allowed only to the extent of $2,000 plus the gains from such sales or exchanges."

SEC. 213. Assumption of indebtedness.

(a) Assumption of liability not recognized: Section 112 of the Internal Revenue Code (relating to recognition of gain or loss) is amended by adding at the end thereof the following new subsection:

"(k) Assumption of liability not recognized: Where upon an exchange the taxpayer receives as part of the consideration property which would be permitted by subsections (b) (4) or (5) of this section to be received without the recognition of gain if it were the sole consideration, and as part of the consideration another party to the exchange assumes a liability of the taxpayer or acquires from the taxpayer property subject to a liability, such assumption or acquisition shall not be considered as 'other property or money' received by the taxpayer within the meaning of subsection (c), (d), or (e) of this section and shall not prevent the exchange from being within the provisions of subsection (b) (4) or (5); except that if, taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption or acquisition was made, it appears that the principal purpose of the taxpayer with respect to the assumption or acquisition was a purpose to avoid Federal income tax on the exchange, or, if not such purpose, was not a bona fide business purpose, such assumption or acquisition (in the amount of the liability) shall, for the purposes of this section, be considered as money received by the taxpayer upon the exchange. In any suit or proceeding where the burden is on the taxpayer to prove that such assumption or acquisition is not to be considered as money received by the taxpayer, such burden shall not be considered as sustained unless the taxpayer sustains such burden by the clear preponderance of the evidence."

(b) Amendment to definition of reorganization: Section 112 (g) (1) of the Internal Revenue Code (relating to definition of reorganization) is amended to read as follows:

"(1) The term 'reorganization' means (A) a statutory merger or consolidation, or (B) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of at least 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of another corporation, or (C) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of substantially all the properties of another corporation, but in determining whether the exchange is solely for voting stock the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded, or (D) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its shareholders or both are in control of the corporation to which the assets are transferred, or (E) a recapitalization, or (F) a mere change in identity, form, or place of organization, however effected."

(c) Requirement of substantially proportionate interests: Section 112 (b) (5) of the Internal Revenue Code (relating to requirement of substantially proportionate interests) is amended by adding at the end thereof the following new sentence: "Where the transferee assumes a liability of a transferor, or where the property of a transferor is transferred subject to a liability, then for the purpose only of determining whether the amount of stock or securities received by each of the transferors is in the proportion required by this paragraph, the amount of such liability (if under subsection (k) it is not to be considered as 'other property or money') shall be considered as stock or securities received by such transferor."

(d) Basis of property: Section 113 (a) (6) of the Internal Revenue Code (relating to basis of property) is amended by inserting before the last sentence thereof the following: "Where as part of the consideration to the taxpayer another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition (in the amount of the liability) shall, for the purposes of this paragraph, be considered as money received by the taxpayer upon the exchange."

(e) Taxable years to which applicable: The amendments made by subsections (a), (b), (c), and (d) shall be applicable to taxable years beginning after December 31, 1938.

(f) Assumption of liability not recognized under prior acts:

(1) Where upon an exchange occurring in a taxable year ending after December 31, 1923, and beginning before January 1, 1939, the taxpayer received as part of the consideration property which would be permitted by subsection (b) (4) or (5) of section 112 of the Revenue Act of 1938, or the corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts, to be received without the recognition of gain if it were the sole consideration, and as part of the consideration another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition shall not be considered as "other property or money" received by the taxpayer within the meaning of subsection (c), (d), or (e) of section 112 of the Revenue Act of 1938, or the corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts, and shall not prevent the exchange from being within the provisions of subsection (b) (4) or (5) of section 112 of the Revenue Act of 1938, or the corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts; except that if, in the determination of the tax liability of such taxpayer for the taxable year in which the exchange occurred, by a decision of the Board of Tax Appeals or of a court which became final before the ninetieth day after the date of enactment of the Revenue Act of 1939, or by a closing agreement, gain was recognized to such taxpayer by reason of such assumption or acquisition of property, then for the purposes of section 112 of the Revenue Act of 1938, and corresponding provisions of the Revenue Act of 1924 or subsequent revenue acts, such assumption or acquisition (in the amount of the liability considered in computing the gain) shall be considered as money received by the taxpayer upon the exchange.

(2) Paragraph (1) shall be effective with respect to the Revenue Act of 1924 and subsequent revenue acts as of the date of enactment of each such act.

(g) Definition of reorganization under prior acts:

(1) Section 112 (g) (1) of the Revenue Acts of 1938, 1936, and 1934 are amended to read as follows:

"(1) The term 'reorganization' means (A) a statutory merger or consolidation, or (B) the acquisition by one corporation, in exchange solely for all or a part of its voting stock, of substantially all the properties of another corporation, but in determining whether the exchange is solely for voting stock the assumption by the acquiring corporation of a liability of the other, or the fact that property acquired is subject to a liability, shall be disregarded; or the acquisition by one corporation in exchange solely for all or a part of its voting stock of at least 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of another corporation, or (C) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its shareholders or both are in control of the corporation to which the assets are transferred, or (D) a recapitalization, or (E) a mere change in identity, form, or place of organization, however effected."

(2) The amendments made by paragraph (1) to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act.

(h) Substantially proportionate interests under prior acts:

(1) Section 112 (b) (5) of the Revenue Acts of 1938, 1936, 1934, 1932, and 1928, and section 203 (b) (4) of the Revenue Acts of 1926 and 1924 are amended by inserting at the end thereof the following: "Where the transferee assumes a liability of a transferor, or where the property of a transferor is transferred subject to a liability, then for the purpose only of determining whether the amount of stock or securities received by each of the transferors is in the proportion required by this paragraph, the amount of such liability (if under section 213 of the Revenue Act of 1939 it is not considered as 'other property or money') shall be considered as stock or securities received by such transferor. If, as the result of a determination of the tax liability of the taxpayer for the taxable year in which the exchange occurred, by a decision of the Board of Tax Appeals or of a court which became final before the ninetieth day after the date of the enactment of the Revenue Act of 1939, or by a closing agreement, the treatment of the amount of such liability was different from the treatment which would result from the application of the preceding sentence, such sentence shall not apply and the result of such determination shall be deemed proper."

(2) The amendments made by paragraph (1) to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act.

(i) Basis under prior acts:

(1) Section 113 (a) (6) of the Revenue Acts of 1938, 1936, 1934, 1932, and 1928, and section 204 (a) (6) of the Revenue Acts of 1926 and 1924 are amended by inserting before the last sentence thereof the following: "Where as part of the consideration to the taxpayer another party to the exchange assumed a liability of the taxpayer or acquired from the taxpayer property subject to a liability, such assumption or acquisition (in the amount of the liability) shall, for the purposes of this paragraph, be considered as money received by the taxpayer upon the exchange."

(2) The amendments made by paragraph (1) to the respective acts amended shall be effective as to each of such acts as of the date of enactment of such act.

SEC. 214. Basis of stock dividends and stock rights.

(a) Basis under Internal Revenue Code: Section 113 (a) of the Internal Revenue Code (relating to the unadjusted basis of property) is amended by inserting at the end thereof the following new paragraph:

"(19) (A) If the property was acquired by a shareholder in a corporation and consists of stock in such corporation, or rights to acquire such stock, acquired by him after February 28, 1913, in a distribution by such corporation (hereinafter in this paragraph called 'new stock'), or consists of stock in respect of which such distribution was made (hereinafter in this paragraph called 'old stock') and

"(i) the new stock was acquired in a taxable year beginning before January 1, 1936; or

"(ii) the new stock was acquired in a taxable year beginning after December 31, 1935, and its distribution did not constitute income to the shareholder within the meaning of the sixteenth amendment to the Constitution;

then the basis of the new stock and of the old stock, respectively, shall, in the shareholder's hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock; such allocation to be made under regulations which shall be prescribed by the Commissioner with the approval of the Secretary.

"(B) Where the new stock consisted of rights to acquire stock and such rights were sold in a taxable year beginning before January 1, 1939, and there was included in the gross income for such year the entire amount of the proceeds of such sale, then, if before the date of the enactment of the Revenue Act of 1939 the taxpayer has not asserted (by claim for a refund or credit or otherwise) that any part of the proceeds of the sale of such new stock should be excluded from gross income for the year of its sale, the basis of the old stock shall be determined without regard to subparagraph (A); and no part of the proceeds of the sale of such new stock shall ever be excluded from the gross income of the year of such sale.

"(C) Subparagraph (A) shall not apply if the new stock was acquired in a taxable year beginning before January 1, 1936, and there was included, as a dividend, in gross income for such year an amount on account of such stock, and after such inclusion such amount was not (before the date of the enactment of the Revenue Act of 1939) excluded from gross income for such year.

"(D) Subparagraph (A) shall not apply if the new stock or the old stock was sold or otherwise disposed of in a taxable year beginning prior to January 1, 1936, and the basis (determined by a decision of a court or the Board of Tax Appeals, or a closing agreement, and the decision or agreement became final before the ninetieth day after the date of the enactment of the Revenue Act of 1939) for determining gain or loss on such sale or other disposition was ascertained by a method other than that of allocation of the basis of the old stock."

(b) Distributions not treated as dividends: Section 115 (d) of the Internal Revenue Code (relating to distributions applied in reduction of basis) is amended to read as follows:

"(d) Other distributions from capital: If any distribution made by a corporation to its shareholders is not out of increase in value of property accrued before March 1, 1913, and is not a dividend, then the amount of such distribution shall be applied against and reduce the adjusted basis of the stock provided in section 113, and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property. This subsection shall not apply to a distribution in partial or complete liquidation or to a distribution which, under subsection (f) (1), is not treated as a dividend, whether or not otherwise a dividend."

(c) Taxable years to which applicable: The amendments made by subsections (a) and (b) shall be applicable to taxable years beginning after December 31, 1938.

(d) Basis under prior acts: The following rules shall be applied, for the purposes of the Revenue Act of 1938 or any prior revenue act, as if such rules were a part of each such act when it was enacted, in determining the basis of property acquired by a shareholder in a corporation which consists of stock in such corporation, or rights to acquire such stock, acquired by him after February 28, 1913, in a distribution by such corporation (hereinafter in this subsection called "new stock"), or consisting of stock in respect of which such distribution was made (hereinafter in this subsection called "old stock") if the new stock was acquired in a taxable year beginning before January 1, 1936, or acquired in a taxable year beginning after December 31, 1935, and its distribution did not constitute income to the shareholder within the meaning of the sixteenth amendment to the Constitution.

(1) The basis of the new stock and of the old stock, respectively, shall, in the shareholder's hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock; such allocation to be made under regulations which shall be prescribed by the Commissioner with the approval of the Secretary.

(2) Where the new stock consisted of rights to acquire stock and such rights were sold and there was included in the gross income for the taxable year of the sale the entire amount of the proceeds of such sale, then, if before the date of the enactment of this act the taxpayer has not asserted (by claim for refund or credit or otherwise) that any part of the proceeds of the sale of such new stock should be excluded from gross income for the year of its sale, the basis of the old stock shall be determined without regard to paragraph (1) and no part of the proceeds of the sale of such new stock shall ever be excluded from the gross income of the year of such sale.

(3) Paragraph (1) shall not apply if the new stock was acquired in a taxable year beginning before January 1, 1936, and there was included, as a dividend, in gross income for such year an amount on account of such stock, and after such inclusion such amount was not (before the date of the enactment of this act) excluded from gross income for such year.

(4) Paragraph (1) shall not apply if the new stock or the old stock was sold or otherwise disposed of in a taxable year beginning before January 1, 1936, and the basis (determined by a decision of a court or the Board of Tax Appeals, or a closing agreement, and the decision or agreement became final before the ninetieth day after the date of the enactment of this Act) for determining gain or loss on such sale or other disposition was ascertained by a method other than that of allocation of the basis of the old stock.

Sec. 215. Discharge of indebtedness.

(a) Income from discharge of indebtedness: Section 22 (b) of the Internal Revenue Code (relating to exclusions from gross income) is amended by adding at the end thereof the following new paragraph:

"(9) Income from discharge of indebtedness: In the case of a corporation, the amount of any income of the taxpayer attributable to the discharge, within the taxable year, of any indebtedness of the taxpayer or for which the taxpayer is liable evidenced by a security (as hereinafter in this paragraph defined) if it is established to the satisfaction of the Commissioner that at the time of such discharge the taxpayer was in an unsound financial condition, and if the taxpayer makes and files at the time of filing the return, in such manner as the Commissioner, with the approval of the Secretary, by regulations prescribes, its consent to the regulations prescribed under section 113 (b) (3) then in effect. In such case the amount of any income of the taxpayer attributable to any unamortized premium (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be included in gross income and the amount of the deduction attributable to any unamortized discount (computed as of the first day of the taxable year in which such discharge occurred) with respect to such indebtedness shall not be allowed as a deduction. As used in this paragraph the term 'security' means any bond, debenture, note, or certificate, or other evidence of indebtedness, issued by any corporation, with interest coupons or in registered form in existence on June 1, 1939. This paragraph shall not apply to any discharge occurring before the date of the enactment of the Revenue Act of 1939, or in a taxable year beginning after December 31, 1942."

(b) Basis reduced: Section 113 (b) of the Internal Revenue Code (relating to the adjusted basis of property) is amended by adding at the end thereof the following new paragraph:

"(3) Discharge of indebtedness: Where in the case of a corporation any amount is excluded from gross income under section 22 (b) (9) on account of the discharge of indebtedness the whole or a part of the amount so excluded from gross income shall be applied in reduction of the basis of any property held (whether before or after the time of the discharge) by the taxpayer during any portion of the taxable year in which such discharge occurred. The amount to be so applied (not in excess of the amount so excluded from gross income, reduced by the amount of any deduction disallowed under section 22 (b) (9)) and the particular properties to which the reduction shall be allocated, shall be determined under regulations (prescribed by the Commissioner with the approval of the Secretary) in effect at the time of the filing of the consent by the taxpayer referred to in section 22 (b) (9). The reduction shall be made as of the first day of the taxable year in which the discharge occurred except in the case of property not held by the taxpayer on such first day, in which case it shall take effect as of the time the holding of the taxpayer began."

(c) Taxable years to which applicable: The amendments made by this section shall be applicable to taxable years beginning after December 31, 1938.

SEC. 216. Foreign tax credit.

(a) Disallowance of credit to section 102 corporations: Section 131 (a) of the Internal Revenue Code (relating to allowance of foreign tax credit) is amended by striking out "If the taxpayer signifies in his return his desire to have the benefits of this section, the tax imposed by this chapter shall be credited with" and inserting in lieu thereof "If the taxpayer signifies in his return his

desire to have the benefits of this section, the tax imposed by this chapter, except the tax imposed under section 102, shall be credited with."

(b) Limit on credit: Section 131 (b) of the Internal Revenue Code (relating to the limit on foreign tax credit) is amended to read as follows:

"(b) Limit on credit: The amount of the credit taken under this section shall be subject to each of the following limitations:

"(1) The amount of the credit in respect of the tax paid or accrued to any country shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources within such country bears to his entire net income, in the case of a taxpayer other than a corporation, or to the normal-tax net income, in the case of a corporation, for the same taxable year; and

"(2) The total amount of the credit shall not exceed the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources without the United States bears to his entire net income, in the case of a taxpayer other than a corporation, or to the normal-tax net income, in the case of a corporation, for the same taxable year."

(c) Foreign subsidiary: Section 131 (f) of the Internal Revenue Code (relating to credit for taxes of foreign subsidiary) is amended by striking out "entire net income" and inserting in lieu thereof "normal-tax net income."

Sec. 217. Exemption of certain Federal employees' organizations.

(a) Section 101 of the Internal Revenue Code (relating to exemptions from tax on corporations) is amended by adding at the end thereof the following new paragraph:

"(19) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if (A) admission to membership in such association is limited to individuals who are officers or employees of the United States Government, and (B) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual."

(b) The amendment made by this section shall be applicable to taxable years beginning after December 31, 1938.

Sec. 218. Definitions of gross income of certain insurance companies for personal holding company tax.

(a) Section 507 of the Internal Revenue Code is amended to read as follows:

"Sec. 507. Meaning of terms used.

"(a) General rule: The terms used in this subchapter shall have the same meaning as when used in chapter 1.

"(b) Insurance companies other than life or mutual: Notwithstanding subsection (a), the term 'gross income,' as used in this subchapter, means, in the case of an insurance company other than life or mutual, the gross income, as defined in section 204 (b) (1), increased by the amount of losses incurred, as defined in section 204 (b) (6), and the amount of expenses incurred, as defined in section 204 (b) (7), and decreased by the amount deductible under section 204 (c) (7) (relating to tax-free interest)."

(b) Taxable years to which applicable: The amendments made by this section shall be applicable to taxable years beginning after December 31, 1938.

Sec. 219. Taxable years to which amendments applicable.

Except the amendments made by sections 211, 213, 214, 215, 217, and 218, the amendments made by this title to the Internal Revenue Code shall be effective only with respect to taxable years beginning after December 31, 1939.

Mr. MOTT. Mr. Chairman, I ask unanimous consent to return to title I for the purpose of offering an amendment, and I give this as my reason for doing so: I understood the gentleman from Washington [Mr. LEAVY] intended to offer an amendment restoring the excise and import tax on shingles and spruce and other wood products from Canada. The gentleman does not seem to be here and did not offer the amendment, and I would like to offer it myself.

The CHAIRMAN. The gentleman from Oregon asks unanimous consent to return to title I for the purpose of offering an amendment. Is there objection?

Mr. COOPER. Mr. Chairman, I regret exceedingly having to do so, but I must object to returning to title I after we have already passed it.

The CHAIRMAN. Objection is heard. The Clerk will report the committee amendments to title II.

The Clerk read as follows:

Committee amendment: Page 11, line 1, after the word "deduction", strike out the remainder of the line and the words "of a corporation, for", in line 2, and insert the word "For."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 11, line 21, after "(d)" insert "(1), (2), (3), and (4)."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 12, line 6, strike out all of line 6 and the words "such deduction", in line 7, and insert "(d) (1), (2), (3), and (4)) exceeds, in the case of a taxpayer other than a corporation, the net income (computed without such deduction), or, in the case of a corporation, the normal-tax net income (computed without such deduction)."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 13, line 9, strike out the word "gains," and insert "gains;" and the following:

"(5) Deductions otherwise allowed by law not attributable to the operation of a trade or business regularly carried on by the taxpayer shall (in the case of a taxpayer other than a corporation) be allowed only to the extent of the amount of the gross income not derived from such trade or business."

The committee amendment was agreed to.

The Clerk read as follows:

Committee amendment: Page 31, line 6, strike out "with interest coupons or in registered form."

The committee amendment was agreed to.

Mr. TREADWAY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TREADWAY: Page 10, line 14, strike out "1939" and insert "1938."

Page 11, line 3, strike out "1939" and insert "1938."

Page 13, lines 16 and 20, strike out "1939" and insert "1938."

Page 15, line 23, strike out "1939" and insert "1938."

Page 35, strike out lines 20 to 23, inclusive, and insert in lieu thereof the following:

"The amendments made by this title to the Internal Revenue Code shall be effective with respect to taxable years beginning after December 31, 1938."

Mr. TREADWAY. Mr. Chairman, I think the business world will be very much disappointed at the action the House is taking today unless it adopts this amendment. The entire line of argument has been for immediate tax relief and the removal of tax deterrents to present-day business. When it was found that the proposed changes were not to be put into effect until 1940 I am certain that business was very much depressed.

It is a mistake not to start this relief now. The amendment I have offered is simply to accomplish this purpose. If we are right in doing away with the undistributed-profits tax and changing the corporation tax to 18 percent and making the various other changes, then it is right to do it in the year 1939 so that the taxpayer making up his tax return next March will have that much advantage. This year's income will not be affected by the bill. It is no excuse to say that we have passed the half-year mark, and that therefore this would be retroactive legislation. So much the better if it is.

As I have indicated, the purpose of my amendment is to make all the relief provisions of title I effective with respect to 1939 incomes, the tax on which is due and payable in March 1940. Under the bill as drafted, certain provisions will not become effective before the taxable year 1940, so that the first relief which will be felt will be when corporations come to pay their 1940 taxes in March 1941.

Mr. Chairman, if we are going to give business the relief from tax deterrents which the bill provides, what justification is there for postponing it so long?

"Eventually, why not now," as the saying goes. Business has been promised this relief for a long time. Everyone has anticipated that when it was given it would be given at once and not held off until sometime in the future.

If we are not going to give the benefits of the relief provisions to this year's business operations, then why all the rush to pass this bill and get it on the statute books? Even though the nuisance-tax extension must be passed before June 30, this is not the case with respect to the income-tax provisions of the bill.

We of the minority, in our supplemental views on the bill, have challenged the majority to give a valid and compelling reason for postponing the effective date of the tax changes. The excuse that business has gone along for 6 months under the present law and could not adjust itself to the changes proposed is pure bunk.

Business would be delighted to adjust itself to the changes proposed.

The excuse that there would be a loss of revenue if the relief were made effective this year can be offset by making the 18-percent rate effective at the same time, as provided in my motion.

In his appearance before the committee, the Secretary of the Treasury stated that the proposals he made were in the interest of removing deterrents which were likely to hinder business expansion and investment. If that is the case, then the sooner these deterrents are removed the sooner we may expect this hoped-for expansion of business and investment.

The Democratic majority, by arbitrarily deferring the relief, are putting themselves in the position of deferring business recovery at the same time.

The country has grown impatient waiting for business recovery under the New Deal. Repressive taxation is merely one means by which New Deal policies have hampered business and postponed recovery.

When even the Treasury now admits that its tax policies have been wrong, and when it admits that they should be corrected, and when the Ways and Means Committee proposes to correct them, what excuse can there be for not making these corrections now?

Congress has an opportunity to do something for business and reemployment under this bill. Let us not fumble the ball by holding off relief too long.

There is no loss in revenue under the change in provisions; it is simply a square deal for business, and that is why I am offering the amendment making the bill effective now rather than a year from now. [Applause.]

Mr. Chairman, I ask unanimous consent to revise and extend my remarks at this point on this subject.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DOUGHTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, one of the chief complaints about taxes is the uncertainty as to what the future taxes will be. As it is, half of this calendar year is gone and the corporations have arranged their businesses on present tax rates and schedules. To change in the middle of the year would result in disarrangement of business. Many of them have passed the taxes on to the consumers, added them on to their cost of doing business. At present rates the taxes on undistributed profits run from 16½ to 19 percent. Under the amendment there would be an 18-percent flat rate. I am informed that 88 percent of the corporations have incomes less than $25,000; so if this amendment goes into effect on this year's business many of this 88 percent will pay more for this year in taxes than they would pay under existing law. So in order to make the bill applicable to 1939 would result in many paying a greater tax than they anticipated when they arranged their business for 1939.

The carry-over provisions of the present bill already apply to 1939. So not only do they get the benefit of the carry-over provision, but it is now asked to make the tax provisions retroactive for the benefit of some corporations and penalize other corporations. There is no justice in that, Mr. Chairman. The gentleman surely does not ask that.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. McCORMACK. Furthermore, the 18-percent tax takes into consideration the elimination of the $2,000 limitation to corporations on capital gains which this amendment does not even consider.

Mr. DOUGHTON. Certainly. It is certain you cannot do two things at the same time. You cannot write a tax bill as important and far reaching as this, as important to the taxpayers, as important to the Treasury, as important to the country, here on the floor of this House; and the gentleman from Massachusetts knows it. Much as I admire him, highly as I respect him, it looks like an effort to play politics rather than to help the Treasury of the United States or to help the taxpayers.

Mr. Chairman, I ask that the amendment be voted down. [Applause.]

Mr. JENKINS of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, we all know that under a proper appraisal of the facts there is absolutely no reason why this amendment should not prevail. There is absolutely no reason why if this is a good tax bill it should not go into effect on 1939 business. It is very easy to make this retroactive for the year 1939. We do not make out our income taxes until after the 1st of January 1940. The argument is made that it cannot be made retrocative. This is not true. It can be retroactive. Many times we have enacted tax laws that were made retroactive for the year. They provide that the 18-percent rate is effective on 1939 taxes. Then why should not the other features of the bill be made applicable? If this is a good bill for 1940, why wait until 1940 to put it into effect? If it is a good bill for 1940, we should make it apply to 1939. No sophistry, no eloquence, and no apology, and no demagoguery or misrepresentation can change the simple proposition that what is good for 1940 is good for 1939. Any talk that some corporations have already paid their taxes for 1938 would make the application of the law inadvisable is specious. That argument is specious, for we could easily allow them a credit for what has been paid or we can exempt the 1938 tax. This is just another excuse just as they made last year and the year before, when they claimed they could not repeal the undistributed-profits tax. You see that last year they reduced the undistributed-profits tax from 27½ to 2½ percent, and this year they let it die and they have buried it in an unmarked grave. They are ashamed of it and would deny the responsibility for it if they could.

The business interests in my State—I speak for the State of Ohio, and that State is typical of every State that does a great amount of all kinds of business. Over in my State they want tax relief, and they want it this year; they want it now. This bill does not give any tax relief this year. Do not go away from here today and write a letter to your constituents saying that you have voted for a bill that gives tax relief this year, for it does not, and it will not unless you adopt this amendment. Tell them the truth. Tell them that F. D. R. is still holding his club over business and that the majority are afraid to do what should be done. There is absolutely no reason why this amendment should not be adopted. It is what the business people want and have been promised; it is consistent with past legislation; it is consistent with good, common sense; and you ought to vote for it. [Applause.]

Mr. McCORMACK. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I realize the probable way in which the vote will divide, but for the record may I say that the statement just made by the two preceding Members on the minority side clearly shows that in a desire to oppose they are even willing to try to drive down the throats of the people the thought they are helping business and at the same time offer an amendment which will be harmful to business.

No matter how you may vote, this amendment will cost business more for this year than business will pay under the existing tax. The amendment attempts to go back to 1938 with a carry-over of losses against 1939 profits. It does not take into consideration going back to 1938 in applying the elimination of the $2,000 limitation on corporations on capital gains that exist under the present law, and giving such corporations the benefit in 1939 returns.

Mr. JENKINS of Ohio. Will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. If this bill that we are voting on today is good for business in 1940, why is it not good for business in 1939?

Mr. McCORMACK. The answer to that is very simple.

Mr. JENKINS of Ohio. I hope the gentleman will find it as simple as he says it is.

Mr. McCORMACK. The gentleman's hope is a matter that I hope I will disappoint him on.

In the first place, the chairman of the Ways and Means Committee has stated that corporations have already paid their taxes for the 1938 business.

Mr. JENKINS of Ohio. Not on 1939.

Mr. McCORMACK. I said 1938. The effect of this amendment is to go back to 1938 and allow the losses for 1938 to be offset against 1939 gains. That is what this amendment means.

We are providing in this bill for 1939 losses being offset against 1940 gains. If we wait until next year it means this carry-over is only deferred 1 year longer. What the gentleman from Ohio [Mr. JENKINS] argues for is to allow the carry-over of losses to go back to 1938, starting with January 1, 1938, and including all losses for the current year or all losses of corporations that have a fiscal year starting any time in 1938. Those corporations have paid their taxes. The great majority of them have paid their 1938 corporation taxes to date. Most of them are payable upon a current basis, on March 15, 1939.

In applying the 18-percent normal rate we gave not only a 2-year carry-over of losses as an advantage to business, but that is only one of the reasons why we stepped up the normal rate. The other is the elimination of the $2,000 limitation on corporate capital gains. Remember, Mr. Chairman, the effective rate under existing law for corporations for a net income over $25,000 a year is 17.25 percent. In other words, by effective rate I mean that all the corporations under the present law, based on their last returns, that earned income over $25,000, if you group them all together, paid an average of 17.25 percent. We are stepping up for all those corporations the corporate tax of three-quarters of 1 percent, but we are giving them the compensating advantage of a carry-over of loss for 2 years and also the elimination of $2,000 capital-gains limitation. That $2,000 elimination means a lot to business. The carry-over of losses for 2 years means a lot to business.

The amendment offered by the gentleman from Massachusetts [Mr. TREADWAY] would result in a tremendous loss in revenue. It would discriminate between corporations that have paid their taxes for 1938 and those few that have not, and it would not give the corporations this year any consideration so far as the $2,000 limitation of capital gains is concerned, to which I have referred on several occasions.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts [Mr. TREADWAY].

The question was taken; and on a division (demanded by Mr. TREADWAY) there were—ayes 65, noes 109.

So the amendment was rejected.

Mr. COOPER. Mr. Chairman, I have three clarifying amendments of a technical nature which I want to present, and I ask unanimous consent that they may be considered en bloc. They are only technical clarifying amendments.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee [Mr. COOPER]?

There was no objection.

The Clerk read as follows:

Committee amendments offered by Mr. COOPER: Page 13, strike out lines 5 to 9, inclusive, and insert:

"(4) Long-term capital gains and long-term capital losses shall be taken into account without regard to the provisions of section 117 (b). As so computed the amount deductible on account of long-term capital losses shall not exceed the amount includible on account of the long-term capital gains, and the amount deductible on account of short-term capital losses shall not exceed the amount includible on account of the short-term capital gains;

Page 13, line 15, after the period insert: "For the purposes of this paragraph deductions and gross income shall be computed with the exceptions and limitations specified in paragraphs (1) to (4) of this subsection."

Page 13, after line 20, insert:

"(c) Allowance of deduction to estates, trusts, and participants in common trust funds: The Internal Revenue Code is amended by inserting after section 169 the following new section:

"'SEC. 17. Net operating losses.

"'The benefit of the deduction for net operating losses allowed by section 23 (s) shall be allowed to estates and trusts under regulations prescribed by the Commissioner with the approval of the Secretary. The benefit of such deduction shall not be allowed to a common trust fund, but shall be allowed to the participants in the common trust fund under regulations prescribed by the Commissioner with the approval of the Secretary.'

"(d) Allowance of deduction to partners: The Internal Revenue Code is amended by inserting after section 188 the following new section:

"'SEC. 189. Net operating losses:

"'The benefit of the deduction for net operating losses allowed by section 23 (s) shall not be allowed to a partnership but shall be allowed to the members of the partnership under regulations prescribed by the Commissioner with the approval of the Secretary.'

"(e) Allowance of deduction to insurance companies:

"(1) Section 203 (a) of the Internal Revenue Code (relating to deductions of life insurance companies) is amended by inserting at the end thereof the following new paragraph:

"'(8) The amount of the net operating loss deduction provided in section 23 (s).'

"(2) The Internal Revenue Code is amended by inserting after section 207 the following:

"'SEC. 208. Net operating losses:

"'The benefit of the deduction for net operating losses allowed by section 23 (s) shall be allowed to insurance companies subject to the taxes imposed in this supplement under regulations prescribed by the Commissioner with the approval of the Secretary.'"

Page 13, line 21, strike out "(c)" and insert "(f)"; page 14, line 4, strike out "(d)" and insert "(g)"; page 14, line 12, strike out "(e)" and insert "(h)"; page 14, line 22, strike out "(f)" and insert "(i)"; page 15, line 4, strike out "(g)" and insert "(j)."

Mr. SMITH of Ohio. Mr. Chairman, I rise in opposition to the amendments.

Mr. Chairman, the amendments are rather extensive and there are a lot of us who do not understand what they mean. We would like to have an explanation.

Mr. COOPER. I will ask the gentleman's indulgence for only a moment. These amendments are purely of a technical and perfecting nature. The drafting service found it necessary to make certain provisions to conform or fit in with certain other provisions.

The amendments are to make it possible for the net loss carry-over for individuals and partnerships to conform to the treatment that is accorded to corporations.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. TREADWAY. I should like to say to the gentleman from Ohio, who made this inquiry of the gentleman from Tennessee, that in a bill like this there are bound to be technical corrections made at almost any stage of the consideration of the bill. I do not have a definite comprehension of just what these changes are, but I may say to the gentleman from Ohio that I have so much confidence in the drafting service, as represented by Mr. O'Brien, from his work during all the period we have had this bill under consideration, that I am sure there is nothing in these amendments that in any way changes the policy in the bill. I believe they arise simply from the necessity he has found of making corrections so the bill may be properly drawn.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from New York.

Mr. REED of New York. I just wanted to bring out for the benefit of the gentleman from Ohio that it was decided at a very late moment to put in the bill the provisions to which he refers, and the drafting service has not had an opportunity to work them out completely and technically until the last minute.

Mr. COOPER. The gentleman is correct in that statement.

Mr. REED of New York. These changes, of course, were suggested by our side.

Mr. COOPER. No change in policy whatever is involved. These are purely technical, clarifying, and perfecting provisions.

The first amendment relates to the computation of capital gains and losses of individuals for computing the net-loss deduction.

The bill extends the benefits of the net operating loss provision to taxpayers other than corporations. Under the present law an individual in computing his gain from sales or exchanges of long-term capital assets takes into account only the percentages specified in section 117 (b) (ranging from 50 percent to 100 percent) of the gain. In computing his deduction for long-term capital losses the amount of the loss is reduced by the same percentage. As a result, his actual gain will often be greater than the amount included on account of the long-term capital gains and his actual loss may be greater than the amount deductible. The effect of this amendment is to make him compute, for the purposes of the net operating loss deduction, his long-term capital gains and his long-term capital losses without regard to such percentages. The object of the amendment is to reach a truer figure representing the individual's economic income than the bill provides. Since corporations are not subject to the percentage provisions the amendment in no way affects them.

The second amendment is a technical amendment to make it clear that in computing the limitation in paragraph (5) (limiting nonbusiness deductions to the amount of nonbusiness gross income) the reference to deductions and gross income means deductions and gross income computed with the exceptions and limitations specified in the preceding provisions of section 122 (d).

The third series of amendments provides the special technical provisions necessary to allow the deductions to life-insurance companies, and for estates and trusts, and to disallow it to partnerships and give it to the partners, and to disallow it to common trust funds and give it to the participants in the fund. These amendments are very similar to the provisions of the 1928 act, which allowed a similar carry-over to insurance companies, estates and trusts, and partners.

[Here the gavel fell.]

The CHAIRMAN. The question is on the committee amendments offered by the gentleman from Tennessee.

The committee amendments were agreed to.

Mr. VOORHIS of California. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California: On page 35, line 23, after section 219, insert a new section to read as follows:

"SEC. 220. Notwithstanding any other provisions of this act or of any other law to the contrary, income derived by a taxpayer from securities issued by the Federal Government or by a State, Territory, or any agency, instrumentality, or political subdivision thereof, shall be included in the taxpayer's gross income and shall be taken into account in computing the tax of such taxpayer: *Provided, however,* That against the total tax so computed there shall be allowed a credit equal to the amount of tax which would have been payable under this act if such taxpayer had a net income equal in amount to the actual income, if any, derived by such individual from securities issued by a State or Territory, or any agency, instrumentality, or political subdivision thereof, prior to the enactment of this act."

Mr. COOPER. Mr. Chairman, I reserve a point of order against the amendment.

Mr. VOORHIS of California. Mr. Chairman, I anticipated that that would be the case, and I thank the gentleman from Tennessee for his generosity in reserving the point of order.

Mr. Chairman, this is almost the same amendment I offered last year, when in the consideration thereof the members of the committee stated that it was a matter the committee intended to take up for future consideration. Far be it from me to suggest that the Ways and Means Committee could possibly have done more in this session of Congress than they have done, but I am convinced this is a matter of basic importance and I should like to explain the amendment briefly.

This amendment does not make taxable income from tax-exempt securities. What it does is provide that income from tax-exempt securities must be taken into account in determining gross income, so that the exemption is taken on the lower brackets of the income instead of on the very highest brackets of the income.

I can explain the amendment better by quoting from a statement of Mr. CARTER GLASS when he was Secretary of the Treasury:

> It is intolerable that taxpayers should be allowed, by purchase of exempt securities, not only to obtain exemption with respect to the income derived therefrom, but to reduce the supertaxes upon their other income and to have the supertaxes on their other income determined upon the assumption, contrary to fact, that they are not in possession of income derived from State and municipal bonds.

My amendment includes income from Federal as well as State and local bonds.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I yield to the gentleman from New York.

Mr. CELLER. Why does not the gentleman go the whole way and take off the exemptions entirely?

Mr. VOORHIS of California. Because I do not believe you can do that with bonds that are already outstanding inasmuch as they have been issued with the understanding on the part of the purchaser that they will be exempt under certain circumstances.

Mr. CELLER. You could do it for all future issues.

Mr. VOORHIS of California. I believe we could do that, but after all, that is in our hands as far as Federal bonds are concerned. We can refuse to authorize the issuance of any future tax-exempt bonds. If we get this principle written into law I will be well content, namely, the principle that tax exemption shall never be carried to the extent of enabling people to reduce the surtaxes on their income, and requiring in effect that the exemption they do get must be an exemption in the lower tax brackets rather than at the very top. I believe furthermore that as a measure for encouraging investment a measure of this kind would be an extremely salutary one.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment that it is not germane to this title of the bill.

The CHAIRMAN (Mr. LANHAM). In the opinion of the Chair, this title dealing with income-tax amendments with reference to corporations and the amendment offered by the gentleman from California dealing with income taxes on individuals, the amendment clearly is not germane to this title. The Chair, therefore, sustains the point of order.

Mr. JONES of Ohio. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONES of Ohio: Page 10, line 22, strike out "(relating"; line 23, strike out "to deductions from gross income)"; page 10, line 24, after the colon, add:

"(o) Charitable and other contributions: In the case of an individual, contributions or gifts payment of which is made within the taxable year to or for the use of:

"(1) the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes;

"(2) a domestic corporation, or domestic trust, or domestic community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation;

"(3) the special fund for vocational rehabilitation authorized by section 12 of the World War Veterans' Act, 1924, 43 Stat. 611 (U. S. C., title 38, par. 440);

"(4) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual; or

"(5) a domestic fraternal society, order, or association, operating under the lodge system, but only if such contributions or gifts are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;

to an amount which in all the above cases combined does not exceed 25 percent of the taxpayer's net income as computed

without the benefit of this subsection. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner, with the approval of the Secretary."

Mr. COOPER. Mr. Chairman, I reserve a point of order against this amendment.

Mr. JONES of Ohio. Mr. Chairman, I thank the gentleman from Tennessee for reserving the point of order.

The amendment I have just proposed is the same provision that was in the 1938 Income Tax Act and in the new codification in 1939, with the exception that it grants an exemption of 25 percent to the donor instead of 15 percent. The purpose of this amendment is to return to the cities and villages and the municipalities and the local State governments, and to the churches, the benefit societies, and all the local agencies, the heritage they had for nearly 150 years before this administration came into power.

Without this amendment, 15 percent of a donor's income is exempted for contributions to churches, veterans' organizations, municipalities, and universities. The amendment would give an exemption of 25 percent of a donor's income. The 25-percent exemption would enlarge contributions to these worthy causes just 10 percent. We must save these worthy institutions which are a part of the fabric of American tradition. This Congress must observe the old adage that "you can lead a horse to water but you cannot make him drink." We must face the facts and meet the issue with this kind of an exemption to save the warp and woof of American local community life, municipal entity, State sovereignty, and Federal sovereignty.

I offer this amendment for the purpose of restoring to the local communities their heritage of a little less than 150 years. I refer to the contributions to community chests, churches, municipal governments, universities, and schools by men who are interested in the culture of our country, in the religious well-being of our country, in the endowment of our youth with educational facilities, in the endowment of our cities and towns with libraries, our police departments with equipment for the apprehension of criminals, for the purchase of laboratory equipment, for the endowment of hospitals and relief of the suffering, for the study of diseases.

For years great universities have been founded, builded, and sustained by endowments. Many of these endowments have been invested in bonds of commercial enterprises that are nonproductive, the value of the endowments have gone down; there has been no encouragement on the part of the Federal Government to help build them up and to appeal to men like Andrew Carnegie, Henry Ford, and John D. Rockefeller, who made large fortunes before Government disbelieved in private enterprise, to contribute to these great humanitarian measures. In some instances for every dollar that is contributed over the 15-percent exemption to a community chest, municipality, or a church, the donor has to pay a 67-cent bounty to the Federal Government because the present provision gives only an exemption of 15 percent of a person's income for such worthy contributions.

You gentlemen from New England know of the devastating storm and what it did to your churches and your schools. I know that one denomination alone had a fund of two and a half million dollars collected together over a period of years by donations of devout religious people that was used by the several churches of the Congregational denomination to rebuild these edifices destroyed by the storm in New England.

You folks along the river valleys that have been flooded in the last few years have had to face similar situations. Extraordinary floods have destroyed your beautiful edifices.

We have almost made it impossible for local communities to take care of their relief problem because we have closed the avenue of inducement to individuals who could and would pay to these worthy causes if they were given any inducement by the Federal Government. We, since the inception of this administration, have inaugurated a system of taxation that is prohibitive for the great community chests to get the large contributions from the larger brackets because we have put up a barrier between the success of a drive for money on behalf of these humanitarian organizations and the Federal Government. We have reached out the hand of the Government, and we have said "no" to the local agencies that have handled relief for years, and we have said "Your Government can take care of the misery and human suffering better than anyone else," and we have turned the relief of misery and suffering over to politicians. Every one of you knows that if private agencies like the family societies and community chests in the small towns and cities throughout the United States were given one-half of the money that was handed out from the very beginning by the Federal Government to political appointees of the Federal relief agencies that the local organizations would have done a better job to relieve suffering. The Federal Government would have been saved from the graft and corruption of the political Pendergasts and his kind.

I appeal to you to support this amendment in order to help these private social agencies to carry on the work that you want to turn back to the States. Cut the necessity for Federal taxation. Rehabilitate private relief agencies that have been nearly destroyed during the last 4 years. Let us offer an inducement to private individuals to buy modern equipment for our police departments. Let us encourage those who are able to make gifts and donations and endowments to hospitals and clinics.

I hope you will support the amendment and that the gentleman will withdraw his point of order.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. For the reasons cited in ruling on the last point of order against the amendment offered by the gentleman from California, the Chair sustains the point of order made by the gentleman from Tennessee to the amendment offered by the gentleman from Ohio.

The Clerk read as follows:

TITLE III—CAPITAL STOCK AND EXCESS PROFITS TAXES

SEC. 301. Declaration of value for capital-stock purposes, 1939 and 1940.

Section 1202 of the Internal Revenue Code (relating to declaration of capital-stock value) is amended by inserting at the end thereof the following new subsection:

"(e) Additional declaration years: In the case of any domestic corporation, the year ending June 30, 1939, and the year ending June 30, 1940, shall each, if not otherwise a declaration year, constitute an additional declaration year if with respect to such year (1) the taxpayer so elects (which election cannot be changed) in its return filed before the expiration of the statutory filing period or any authorized extension thereof, and (2) the value declared by the taxpayer is in excess of the adjusted declared value computed under paragraph (1) of subsection (b). If, under this subsection, the year ending June 30, 1939, is a declaration year, the computation, under paragraph (1) of subsection (b), of the adjusted declared value for the year ending June 30, 1940, shall be made on the basis of the value declared for the year ending June 30, 1939."

Mr. CELLER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, in the Revenue Act of 1934, by section 351, the Congress enacted surtaxes upon a certain class of corporations defined as personal holding companies. This surtax was introduced for the first time in the Revenue Act of 1934 in the above-mentioned section.

This tax grew out of such testimony before the Ways and Means Committee conducted by special representatives of the Treasury Department, and is disclosed as set forth in the report of Hon. ROBERT L. DOUGHTON, our chairman, before the Committee on Ways and Means (1939), Accumulative Bulletin 9–9737, page 23, and under subsection 4 of that report, carrying the title "Personal Holding Companies," is found the following statement by the committee:

Perhaps the most prevalent form of tax avoidance practiced by individuals with large incomes is the scheme of the "incorporated pocketbook." That is, an individual forms a corporation and exchanges for its stock his personal holdings in stock, bonds, or

other income-producing property. By this means the income from the property pays corporation tax, but no surtax is paid by the individual if the income is not distributed.

* * * * * * *

Thus, a corporation which falls within this section because of the nature of its business and the number of its stockholders can always escape this tax by distributing to its stockholders at least 90 percent of its adjusted net income. The stockholder will, of course, be subject to the graduated surtaxes upon such distributions. Thus, the section should work no real hardship upon any corporation except one which is being used to reduce surtaxes upon its shareholders.

The effect of this system recommended by your committee is to provide for a tax which will be automatically levied upon the holding company without any necessity for proving a purpose of avoiding surtaxes. It is believed that the majority of these corporations are in fact formed for the sole purpose of avoiding the imposition of the surtax upon the stockholders.

No mention was made by the committees of Congress who drafted the Revenue Act of 1935 about any taxation problem upon personal holding companies, though a number of representations were made to various members of the committee by the representatives of such companies and border-line problems.

After the issuance of the regulations under the Revenue Act of 1934 in regard to personal holding companies, pleas were made both to the administrative authorities and to the appropriate Members of Congress, that the matter of administration included not only companies which constituted "incorporated pocketbooks," and which in no sense of the word were companies to which individuals had transferred their holdings in stocks, bonds, or other income representing profits, but were including corporations originally formed to carry on businesses, and were direct operating companies starting from scratch.

One of these groups were small-loan companies, who dealt with hundreds of thousands of people and with hundreds of personnel, and a multiplicity of transactions.

As a result of the petition, these small-loan companies did business under special State statutes, some States adopting a policy of declaring all charges by them "interest," other States setting up a system of "interest and expenses" such as Massachusetts, Tennessee, Ohio, and California.

In any event we gave relief to these small-loan companies of section 402 of the act of 1938, and said in so many words, that they were not "personal holding companies," provided 80 percent or more of their income was "interest."

Now, some States hold all charges of such companies as "interest." But other States, like Massachusetts, Ohio, Tennessee, and California, separate "interest" from other charges.

The only intake or income these companies have is so-called "interest" but some States do not call that intake, entirely "interest," others do. Some States attribute that income to "interest and other charges" like rent, advertising, labor, reports, commissions, bad debts, and so forth. Thus said income in some States may not be 80 percent "interest." In such States the Internal Revenue Bureau claims these small-loan companies to be "personal holding companies." That is serious to such companies. Thus one company in one State is exempt from being called a "personal holding company" and does not have to pay the huge punitive tax of such "incorporated pocketbook," yet across the river in the neighboring State a company doing the self-same small-loan business in exactly the same way is thus penalized.

That discrimination is absurd. The Internal Revenue Department must stop it. It must heed the reports of our committees in interpreting statutes.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield.

Mr. DISNEY. These small-loan operating finance companies have not been considered personal holding companies.

Mr. CELLER. I think the gentleman is correct, but some of these companies have been deemed personal holding companies by the Internal Revenue Bureau. I think such interpretation is erroneous, and I rise today to indicate to the Internal Revenue Bureau their error. It is ridiculous to classify any of them as "incorporative pocketbooks" no matter what the State law may be concerning "interest."

Mr. DISNEY. It was not the intention of the committee, as I recall the discussion, to include any operating finance companies and make them "personal holding companies."

Mr. CELLER. I think it would be grievously wrong to do so, but they have done so because of the definition of "interest" under various State practices, and for that reason I do hope the Internal Revenue will take heed in this connection.

Mr. BOLAND. No changes have been made to section 402 in the present bill, because, as a member of the Ways and Means Committee, I say it is generally conceded that it does not apply to commercial business. It has been clarified and developed since originally introduced as section 351 of the Revenue Act of 1934. Such sections were never intended to apply to operating financial companies.

Mr. CELLAR. I thank the gentleman. Let me continue with the history of this matter.

These companies, I repeat, never did fall within the definition or the objective described in the report of the Committee on Ways and Means, which I mentioned before, and they always thought themselves not within the statute. They, however, realized that owing to the multiplicity of definition and content of many words, such as "interest" that seems to have a varying content of meaning in almost each of the 48 jurisdictions that they might be so included, and when the Commissioner of Internal Revenue so declared, they thought best to file a petition for clarification of the statute in regards to themselves.

This petition was heard, and the objectives granted by an amendment to the Revenue Act of 1936, and is mentioned in the report of the Senate Finance Committee (1939), Accumulative Bulletin No. 5–9697, page 30, where the following comments were made:

The House bill omitted section 351 of existing law imposing a surtax upon personal holding companies. Your committee has retained, with changes, the provisions of existing law as this section has proved very effective in preventing accumulations in corporations to prevent the imposition of surtax on shareholders. The following changes have been made over existing law:

* * * * * * *

(2) An exemption has been granted small-loan companies making loans to individuals in principal not exceeding $300 outstanding at any one time in the case of any individual, if such interest is lawful, is not payable in advance or compounded, and is computed only on unpaid balances. These companies are subject both to normal tax and the 7-percent undistributed-profits tax applicable to ordinary corporations.

In the meantime, Senator CONNALLY, of Texas, had persuaded the committees of Congress that their definitions of personal holding companies were including companies that in truth did not fall within the definition and description of the committee report of 1934 that dealt in oil royalties, and this change was made in prior legislation.

In the Revenue Act of 1938 rearrangement was made, and section 351 and following sections became section 401 and following sections, and there were minor amendments made regarding consolidated returns in their relation to personal holding companies, and certain deductions which were commented upon by Senator HARRISON, of the Senate Committee on Finance, are found in (1939) Accumulative Bulletin No. 2–9669, page 39.

Also in the Revenue Act of 1938 other changes were made regarding rent, dividend carry-over, and certain other limitations, and a coordination of personal finance company sections with other sections of the statute against unreasonable accumulation of surplus and undivided profits; namely, section 102.

This resulted in a legislative contest and was finally eliminated from the Revenue Act of 1938, and the only changes commented upon by the finance committee were adopted. This legislative contest disclosed that it was never the intention of the Congress that genuine operating companies should be subject to special surtax where their accumulations were reasonable, and for needs of the business this

same idea has been passed upon by the courts in numerous cases, and there seems to be a general unanimity of opinion.

Attention has been called to the Committee on Ways and Means from numerous sources of classification of corporations that were in no sense of the word thought of or availed of to avoid surtax upon their shareholders but were necessary for the compliance with State laws or of State or Federal laws, such as using the corporate form as a liquidating process of slow and delinquent notes after the bank emergency of 1933, many situations being found where responsible directors used such a legal process in order to minimize loss, and promising and contracting to make up the difference, or to meet some statutory requirements as to ownership carrying on a commercial business of development and of enterprise.

Mr. REED of New York. Mr. Chairman, I move to strike out the last word.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. COOPER. Mr. Chairman, I ask unanimous consent that all debate upon the title and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. REED of New York. Mr. Chairman, without casting any reflection upon the ability of any Member of this House, I think that its membership will agree with me that there is no more persuasive man in the House when he takes the floor than the gentleman from Massachusetts [Mr. McCORMACK]. He has made a very plausible but not convincing argument with reference to the motion recently made to make this bill apply to taxation for 1939. Let us not be misled nor deceived, and I am sure that he did not wish to deceive. I would not charge him with that, but perhaps the atmosphere is becoming a little surcharged with politics. What we in the minority are interested in doing, as we have been through all of the deliberations of the committee, is to endeavor to bring about changes in the revenue law that will be beneficial to business, not a year or two hence, but now. Members of the House on either side who have been to their home districts in recent weeks know that the conditions at home are far different from what they are here in Washington. Business has its back to the wall. It is fighting for a chance to survive. It is looking to this Congress for some appeasement, for some help, and here we have an opportunity by passing a motion to recommit similar to the motion to amend offered by Representative TREADWAY, of Massachusetts, to make this bill effective for the taxpayer in 1939, and that is precisely what we ought to do if we are sincere in our effort to help business. [Applause.]

The CHAIRMAN. Without objection, the pro forma amendment will be withdrawn and the Clerk will read.

The Clerk read as follows:

TITLE IV—MISCELLANEOUS AMENDMENTS

SEC. 401. Tax liens on securities.

Section 3672 of the Internal Revenue Code is amended to read as follows:

"Sec. 3672. Validity against mortgagees, pledgees, purchasers, and judgment creditors.

"(a) Invalidity of lien without notice: Such lien shall not be valid as against any mortgagee, pledgee, purchaser, or judgment creditor until notice thereof has been filed by the collector—

"(1) Under State or Territorial laws: In accordance with the law of the State or Territory in which the property subject to the lien is situated, whenever the State or Territory has by law provided for the filing of such notice; or

"(2) With clerk of district court: In the office of the clerk of the United States district court for the judicial district in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice; or

"(3) With clerk of District Court of the United States for the District of Columbia: In the office of the clerk of the District Court of the United States for the District of Columbia, if the property subject to the lien is situated in the District of Columbia.

"(b) (1) Exception in case of securities: Even though notice thereof has been filed in the manner prescribed in subsection (a), such lien shall not be valid with respect to a security, as defined in paragraph (2), as against any mortgagee, pledgee, or purchaser, of such security, for an adequate and full consideration in money or money's worth, if at the time of such mortgage, pledge, or purchase such mortgagee, pledgee, or purchaser is without notice or knowledge of the existence of such lien.

"(2) Definition of security: As used in this subsection the term 'security' means any bond, debenture, note, or certificate, or other evidence of indebtedness, issued by any corporation (including one issued by a government or political subdivision thereof), with interest coupons or in registered form, share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing; negotiable instrument; or money.

"(3) Applicability of subsection: Except where the lien has been enforced by a civil action which has become final before the date of enactment of the Revenue Act of 1939, this subsection shall apply regardless of the time when the mortgage, pledge, or purchase was made or the lien arose."

SEC. 402. Tax on transfers of worthless securities by executor, etc.

Section 1802 (b) of the Internal Revenue Code (relating to the tax on transfers of capital stock and similar interests) is amended by inserting at the end thereof the following new paragraph:

"The tax imposed by this subsection shall not be imposed upon any delivery or transfer by an executor or administrator to a legatee, heir, or distributee of shares or certificates of stock if it is shown to the satisfaction of the Commissioner that the value of such shares or certificates is not greater than the amount of the tax that would otherwise be imposed on such delivery or transfer."

Mr. MILLER. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. MILLER: Page 39, after the period on line 15, insert a new section, as follows:

"It shall be unlawful for any person to sell, offer for sale, or circulate, for any consideration whatsoever, any copy or reproduction of any list, or part thereof, authorized to be made public by this act or by any prior act relating to the publication of information derived from income-tax returns; and any offense against the foregoing provision shall be a misdemeanor and be punishable by a fine not exceeding $1,000, or by imprisonment not exceeding 1 year, or both, at the discretion of the court: *Provided*, That nothing in this sentence shall be construed to be applicable with respect to any newspaper or any other periodical, publication, entitled to admission to the mails as second-class mail matter."

Mr. COOPER. Mr. Chairman, I make the point of order that the amendment of the gentleman from Connecticut is not germane to the title under consideration.

Mr. MILLER. Mr. Chairman, I realize that the hour is getting late, and I shall take only 2 or 3 minutes. I think there is not a member of this Committee who does not realize the situation that exists, namely, that information is turned over to the Federal Government by the taxpayers, and that that information is getting into the hands of not only those who are making a living selling these so-called sucker lists, but more important than that, getting into the hands of racketeers, and others who use the information for definitely unlawful purposes. I know that some who have studied this situation feel sure that back of the wave of kidnaping we had in this country 2 years ago was the fact that so much information could be obtained from the Internal Revenue Department.

If this amendment be ruled out on a point of order, I hope that before Congress adjourns we may do something to stop this information from getting into the hands of these racketeers. The amendment I have offered does exempt newspapers, periodicals, that are allowed to go through the United States mail, but it would to quite an extent, I believe, correct this evil.

Mr. COOPER. Mr. Chairman, I make the point of order against the amendment upon the ground that it is not germane.

The CHAIRMAN. The title under consideration deals with transfers of worthless securities. The amendment offered by the gentleman from Connecticut [Mr. MILLER] deals with making public the names of income-tax payers. The amendment is clearly not germane to the section or the title under consideration, and the Chair, therefore, sustains the point of order.

Mr. MILLER. Mr. Chairman, do I understand the Chair to state that the amendment is not germane to section 402?

The CHAIRMAN. It is not germane to title IV.

Mr. MILLER. I intended to have it read as a new section.

The CHAIRMAN. The Chair understood it was a new section under title IV, and the amendment offered by the gentleman is not germane to the subject matter of title IV.

Mr. MILLER. Would it be in order to ask the Chair this question: Where or when could such an amendment be offered?

The CHAIRMAN. It is not within the province of the Chair to state that.

Mr. MOTT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MOTT: On page 39, in line 15, insert a new section, as follows:

"Section 3424 is amended by striking out the following:

" 'The tax imposed by this subsection shall not apply to lumber of northern white pine (Pinus strobus), Norway pine (Pinus resinosa) and western white pine.' "

Mr. COOPER. Mr. Chairman, I make a point of order against the amendment. It is certainly not germane. If germane at all it would have been germane under title I, which was passed long ago.

Mr. MOTT. I would like to be heard on the point of order, Mr. Chairman.

The CHAIRMAN. The Chair will hear the gentleman from Oregon.

Mr. MOTT. Mr. Chairman, this amendment has nothing to do with title I. Title I simply extends the provision of existing law on the subject covered by title I. In the last Congress an amendment was made in committee to the tax bill, in which amendment the import excise tax on certain species of lumber was taken off. This is a tax bill covering the same general subject, and as a new section to this tax bill I offer this as an amendment to section 3424 of the existing tax law, and not as an amendment to any part of title I of the pending bill. It does not have anything to do with title I of the pending bill.

Mr. COOPER. Mr. Chairman, of course title I of the pending bill covers excise taxes, including the excise tax on imported lumber, to which the amendment of the gentleman from Oregon relates. Certainly the amendment is not germane at this point in the bill.

The CHAIRMAN (Mr. LANHAM). The Chair is ready to rule. An amendment must be germane to the title under which it is offered. Otherwise it would be subject to a point of order.

Section 3424 of the revenue law, sought to be amended by the amendment offered by the gentleman from Oregon, is classified in the general revenue law under "Manufacturers' excise and import taxes."

Title IV now under consideration has to do with taxes on securities. In the opinion of the Chair, if the amendment had been germane it would have been germane to title I rather than to title IV of the bill under consideration. The Chair sustains the point of order.

Mr. MOTT. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MOTT. Suppose this amendment were offered as a new title in the pending bill; would it then be germane or not?

The CHAIRMAN. In the opinion of the Chair, that would make no difference, because the bill as presented contains an excise tax title.

Mr. MOTT. Mr. Chairman, if I may make this observation, the amendment I am now seeking to offer does not have anything to do with excise taxes.

The CHAIRMAN. The Chair will state to the gentleman that in the Internal Revenue Code it is so incorporated, section 3424, under "Manufacturers' excise and import taxes," whereas title IV deals with an entirely different subject matter.

Mr. MOTT. It strikes out certain provisions, or makes an exception to the provision having to do with import excise taxes. I do not understand there is any limit to the number of titles there may be to a bill. Did the Chair answer my parliamentary inquiry?

The CHAIRMAN. If the Chair understands the gentleman's parliamentary inquiry, the Chair will state in reply that in the Internal Revenue Code, section 3424, sought to be amended by the amendment offered by the gentleman from Oregon, is under the classification of "Manufacturers' excise and import taxes." Title IV has nothing to do with that subject, but excise taxes are dealt with under title I of the pending bill. Consequently, if the amendment had been germane it would have been germane under title I of the bill rather than under title IV. It would not be in order or germane as a new title, by reason of the fact there is already a title in the bill dealing with the subject matter to which the amendment would have been germane.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise and report the bill back with sundry amendments, with the recommendation that the amendments be agreed to and the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. LANHAM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, directed him to report the same back to the House with sundry amendments, with the recommendation that the amendments be agreed to and the bill, as amended, do pass.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the bill and all amendments to final passage.

The previous question was ordered.

The SPEAKER. Is a separate vote demanded on any amendment? If not, the Chair will put them en gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. TREADWAY. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. TREADWAY. I am opposed to certain features of it.

The SPEAKER. The Clerk will report the motion.

The Clerk read as follows:

Mr. TREADWAY moves to recommit the bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, to the Committee on Ways and Means, with instructions to report the same back to the House forthwith with the following amendments:

Page 10, line 14, strike out "1939" and insert "1938."

Page 11, line 3, strike out "1939" and insert "1938."

Page 13, lines 16 and 20, strike out "1939" and insert "1938."

Page 15, line 23, strike out "1939" and insert "1938."

Page 35, strike out lines 20 to 23, inclusive, and insert in lieu thereof the following:

"The amendments made by this title to the Internal Revenue Code shall be effective with respect to taxable years beginning after December 31, 1938."

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

Mr. HOOK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HOOK. Is it in order for a Member to offer a motion to recommit who does not state he is opposed to the whole bill? The gentleman from Massachusetts stated that he was opposed to only certain features of it.

The SPEAKER. Had any Member risen stating that he was unqualifiedly opposed to the bill as a whole he would have qualified in preference to the gentleman from Massachusetts. In the absence of such action the gentleman, under the rule, was permitted to make his motion to recommit on his statement that he was opposed to some section of the bill.

The question is on the motion to recommit.

The question was taken; and on a division (demanded by Mr. TREADWAY) there were—ayes 125, noes 183.

Mr. TREADWAY. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 150, nays 205, not voting 76, as follows:

[Roll No. 96]

YEAS—150

Alexander	Fenton	Kinzer	Sandager
Allen, Ill.	Fish	Knutson	Schafer, Wis.
Andersen, H. Carl	Ford, Leland M.	Kunkel	Seccombe
Anderson, Calif.	Gamble	Landis	Seger
Andresen, A. H.	Gartner	LeCompte	Shafer, Mich.
Andrews	Gearhart	Lemke	Short
Angell	Gerlach	Lewis, Ohio	Simpson
Arends	Gilchrist	Luce	Smith, Maine
Barton	Gillie	McDowell	Smith, Ohio
Bates, Mass.	Graham	McLean	Springer
Blackney	Grant, Ind.	McLeod	Stearns, N. H.
Bolles	Griswold	Maas	Stefan
Bolton	Gross	Mapes	Sumner, Ill.
Brown, Ohio	Guyer, Kans.	Marshall	Sutphin
Carlson	Gwynne	Martin, Iowa	Taber
Carter	Hall	Martin, Mass.	Talle
Case, S. Dak.	Halleck	Mason	Taylor, Tenn.
Chiperfield	Hancock	Michener	Thill
Church	Harness	Miller	Thorkelson
Clason	Hawks	Monkiewicz	Tibbott
Clevenger	Heinke	Mott	Tinkham
Cole, N. Y.	Hess	Mundt	Treadway
Corbett	Hinshaw	Murray	Van Zandt
Crawford	Hoffman	O'Brien	Vorys, Ohio
Crowther	Holmes	Oliver	Vreeland
Culkin	Hope	Pittenger	Wadsworth
Curtis	Horton	Plumley	Welch
Darrow	Jarrett	Powers	Wheat
Dirksen	Jeffries	Reece, Tenn.	White, Ohio
Ditter	Jenkins, Ohio	Reed, Ill.	Wigglesworth
Dondero	Jenks, N. H.	Reed, N. Y.	Williams, Del.
Douglas	Jensen	Rees, Kans.	Winter
Dowell	Johnson, Ill.	Rich	Wolfenden, Pa.
Dworshak	Johnson, Ind.	Risk	Wolverton, N. J.
Eaton, Calif.	Jones, Ohio	Rodgers, Pa.	Woodruff, Mich.
Elston	Kean	Rogers, Mass.	Youngdahl
Engel	Keefe	Routzohn	
Englebright	Kennedy, Md.	Rutherford	

NAYS—205

Allen, La.	Dempsey	Kennedy, Michael	Peterson, Ga.
Allen, Pa.	DeRouen	Keogh	Pfeifer
Anderson, Mo.	Dingell	Kerr	Pierce, Oreg.
Ashbrook	Disney	Kilday	Poage
Barden	Doughton	Kitchens	Polk
Barnes	Doxey	Kleberg	Rabaut
Barry	Drewry	Kocialkowski	Ramspeck
Bates, Ky.	Duncan	Kramer	Randolph
Beam	Durham	Lanham	Rankin
Beckworth	Eberharter	Larrabee	Rayburn
Bell	Edmiston	Lea	Robertson
Bland	Elliott	Leavy	Robinson, Utah
Bloom	Ellis	Lesinski	Romjue
Boland	Fay	Lewis, Colo.	Sacks
Boren	Ferguson	Ludlow	Sasscer
Brooks	Fernandez	McAndrews	Satterfield
Brown, Ga.	Flaherty	McArdle	Schaefer, Ill.
Bryson	Flannagan	McCormack	Schuetz
Buck	Flannery	McKeough	Schulte
Buckler, Minn.	Folger	McLaughlin	Schwert
Bulwinkle	Ford, Thomas F.	McMillan, John L.	Shanley
Burch	Fries	McMillan, Thos. S.	Sheppard
Burgin	Fulmer	Maciejewski	Sirovich
Byrne, N. Y.	Garrett	Mahon	Smith, Conn.
Byrns, Tenn.	Gathings	Maloney	Smith, Va.
Byron	Gavagan	Marcantonio	Smith, Wash.
Cannon, Fla.	Gehrmann	Martin, Colo.	Smith, W. Va.
Cannon, Mo.	Geyer, Calif.	Martin, Ill.	Snyder
Cartwright	Gibbs	Massingale	South
Casey, Mass.	Gore	May	Sparkman
Celler	Gossett	Merritt	Spence
Chandler	Grant, Ala.	Mills, Ark.	Steagall
Chapman	Gregory	Mills, La.	Tarver
Claypool	Griffith	Monroney	Tenerowicz
Cochran	Hare	Moser	Terry
Coffee, Nebr.	Harrington	Mouton	Thomas, Tex.
Coffee, Wash.	Harter, Ohio	Murdock, Ariz.	Thomason
Cole, Md.	Havenner	Murdock, Utah	Tolan
Collins	Healey	Nelson	Vinson, Ga.
Colmer	Hill	Nichols	Voorhis, Calif.
Connery	Hobbs	O'Connor	Wallgren
Cooley	Hook	O'Day	Walter
Cooper	Houston	O'Leary	Ward
Costello	Hull	O'Neal	Warren
Creal	Hunter	O'Toole	West
Crosser	Jacobsen	Owen	Whelchel
Crowe	Jarman	Parsons	Williams, Mo.
Cullen	Johnson, Luther A.	Patman	Wood
Cummings	Johnson, Lyndon	Patrick	Zimmerman
D'Alesandro	Johnson, Okla.	Patton	
Darden	Johnson, W. Va.	Pearson	
Delaney	Kee	Peterson, Fla.	

NOT VOTING—76

Arnold	Boykin	Burdick	Cox
Austin	Bradley, Mich.	Caldwell	Curley
Ball	Bradley, Pa.	Clark	Dickstein
Bender	Brewster	Cluett	Dies
Boehne	Buckley, N. Y.	Courtney	Dunn
Eaton, N. J.	Jones, Tex.	Norton	Smith, Ill.
Evans	Keller	Osmers	Somers, N. Y.
Faddis	Kelly	Pace	Starnes, Ala.
Fitzpatrick	Kennedy, Martin	Pierce, N. Y.	Sullivan
Ford, Miss.	Kirwan	Richards	Sumners, Tex.
Gifford	Lambertson	Robsion, Ky	Sweeney
Green	McGehee	Rockefeller	Taylor, Colo.
Hart	McGranery	Rogers, Okla.	Thomas, N. J.
Harter, N. Y.	McReynolds	Ryan	Vincent, Ky.
Hartley	Magnuson	Sabath	Weaver
Hendricks	Mansfield	Schiffler	White, Idaho
Hennings	Mitchell	Scrugham	Whittington
Izac	Myers	Secrest	Wolcott
Johns	Norrell	Shannon	Woodrum, Va.

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Eaton of New Jersey (for) with Mr. Woodrum of Virginia (against).
Mr. Wolcott (for) with Mr. Sullivan (against).
Mr. Osmers (for) with Mr. Boehne (against).
Mr. Robsion of Kentucky (for) with Mr. Whittington (against).
Mr. Ball (for) with Mr. Norrell (against).
Mr. Cluett (for) with Mr. Smith of Illinois (against).
Mr. Bender (for) with Mr. Secrest (against).
Mr. Bradley of Michigan (for) with Mr. Fitzpatrick (against).
Mr. Harter of New York (for) with Mr. Arnold (against).
Mr. Austin (for) with Mr. Pace (against).
Mr. Hartley (for) with Mr. Scrugham (against).
Mr. Gifford (for) with Mr. Martin J. Kennedy (against).
Mr. Schiffler (for) with Mr. Courtney (against).
Mr. Johns (for) with Mr. Magnuson (against).
Mr. Pierce of New York (for) with Mr. Hennings (aganist).
Mr. Lambertson (for) with Mr. Somers of New York (against).
Mr. Rockefeller (for) with Mr. Burdick (against).
Mr. Thomas of New Jersey (for) with Mr. Dickstein (against).

General pairs until further notice:

Mr. Caldwell with Mr. Brewster.
Mr. Cox with Mr. Myers.
Mr. Jones of Texas with Mr. Evans.
Mr. Mansfield with Mr. Bradley of Pennsylvania.
Mr. Dies with Mr. Faddis.
Mr. Starnes of Alabama with Mr. Keller.
Mr. Weaver with Mr. Hart.
Mrs. Norton with Mr. Ford of Mississippi.
Mr. McReynolds with Mr. Buckley of New York.
Mr. Boykin with Mr. Ryan.
Mr. Taylor of Colorado with Mr. Dunn.
Mr. Green with Mr. Sweeney.
Mr. Sumners of Texas with Mr. Kelly.
Mr. Hendricks with Mr. Shannon.
Mr. Richards with Mr. Kennedy of Maryland.
Mr. McGehee with Mr. Vincent of Kentucky.
Mr. Clark with Mr. Izac.
Mr. McGranery with Mr. Mitchell.

Mr. BURDICK. Mr. Speaker, I desire to vote.

The SPEAKER pro tempore (Mr. RAYBURN). Does the gentleman qualify?

Mr. BURDICK. I do not know whether I qualify or not.

The SPEAKER pro tempore. Was the gentleman in the hall listening at the time his name was called?

Mr. BURDICK. No; I came in after the Clerk had passed my name.

The SPEAKER pro tempore. The gentleman does not qualify.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The question is on the passage of the bill.

Mr. DOUGHTON and Mr. MARTIN of Massachusetts rose.

The SPEAKER pro tempore. The Chair recognizes the gentleman from North Carolina.

Mr. DOUGHTON. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 357, nays 1, not voting 73, as follows:

[Roll No. 97]

YEAS—357

Alexander	Barnes	Bolton	Byrns, Tenn.
Allen, Ill.	Barry	Boren	Byron
Allen, La.	Barton	Brooks	Cannon, Fla.
Allen, Pa.	Bates, Ky.	Brown, Ga.	Cannon, Mo.
Andersen, H. Carl	Bates, Mass.	Brown, Ohio	Carlson
Anderson, Calif.	Beam	Bryson	Carter
Anderson, Mo.	Beckworth	Buck	Cartwright
Andresen, A. H.	Bell	Buckler, Minn.	Case, S. Dak.
Andrews	Blackney	Bulwinkle	Casey, Mass.
Angell	Bland	Burch	Celler
Arends	Bloom	Burdick	Chandler
Ashbrook	Boland	Burgin	Chapman
Barden	Bolles	Byrne, N. Y.	Chiperfield

Church
Clason
Claypool
Clevenger
Cochran
Coffee, Nebr.
Coffee, Wash.
Cole, Md.
Cole, N. Y.
Collins
Colmer
Connery
Cooley
Cooper
Corbett
Costello
Crawford
Creal
Crosser
Crowe
Crowther
Culkin
Cullen
Cummings
Curtis
D'Alesandro
Darden
Darrow
Delaney
Dempsey
DeRouen
Dingell
Dirksen
Disney
Ditter
Dondero
Doughton
Douglas
Dowell
Doxey
Drewry
Duncan
Durham
Dworshak
Eaton, Calif.
Eberharter
Edmiston
Elliott
Ellis
Elston
Engel
Englebright
Fay
Fenton
Ferguson
Fernandez
Fish
Flaherty
Flannagan
Flannery
Folger
Ford, Leland M.
Ford, Miss.
Ford, Thomas F.
Fries
Fulmer
Gamble
Garrett
Gartner
Gathings
Gavagan
Gearhart
Gehrmann
Gerlach
Geyer, Calif.
Gibbs
Gilchrist
Gillie
Gore
Gossett
Graham
Grant, Ala.
Grant, Ind.
Gregory
Griffith
Griswold
Gross
Guyer, Kans.
Gwynne
Hall
Halleck
Hancock
Hare
Harness
Harrington
Harter, Ohio
Havenner
Hawks
Healey
Heinke
Hess
Hill
Hinshaw
Hobbs
Hoffman
Holmes
Hook
Hope
Horton
Houston
Hull
Hunter
Jacobsen
Jarman
Jarrett
Jeffries
Jenkins, Ohio
Jenks, N. H.
Jensen
Johnson, Ill.
Johnson, Ind.
Johnson, Luther A.
Johnson, Lyndon
Johnson, Okla.
Johnson, W. Va.
Jones, Ohio
Kean
Kee
Keefe
Kennedy, Michael
Keogh
Kerr
Kilday
Kinzer
Kitchens
Kleberg
Knutson
Kocialkowski
Kramer
Kunkel
Landis
Lanham
Larrabee
Lea
Leavy
LeCompte
Lemke
Lesinski
Lewis, Colo.
Lewis, Ohio
Luce
Ludlow
McAndrews
McArdle
McCormack
McDowell
McGehee
McKeough
McLaughlin
McLean
McLeod
McMillan, John L.
McMillan, Thos. S.
Maas
Maciejewski
Mahon
Maloney
Mapes
Marcantonio
Marshall
Martin, Colo.
Martin, Ill.
Martin, Iowa
Martin, Mass.
Mason
Massingale
May
Merritt
Michener
Miller
Mills, Ark.
Mills, La.
Monkiewicz
Monroney
Moser
Mott
Mouton
Mundt
Murdock, Ariz.
Murdock, Utah
Murray
Nelson
O'Brien
O'Connor
O'Day
O'Leary
Oliver
O'Neal
O'Toole
Owen
Parsons
Patman
Patrick
Patton
Pearson
Peterson, Fla.
Peterson, Ga.
Pfeifer
Pierce, Oreg.
Pittenger
Plumley
Poage
Polk
Powers
Rabaut
Ramspeck
Randolph
Rankin
Rayburn
Reece, Tenn.
Reed, Ill.
Reed, N. Y.
Rees, Kans.
Rich
Risk
Robertson
Robinson, Utah
Rodgers, Pa.
Rogers, Mass.
Rogers, Okla.
Romjue
Routzohn
Rutherford
Ryan
Sacks
Sandager
Sasscer
Satterfield
Schaefer, Ill.
Schafer, Wis.
Schuetz
Schulte
Schwert
Seccombe
Seger
Shafer, Mich.
Shanley
Sheppard
Short
Simpson
Sirovich
Smith, Conn.
Smith, Maine
Smith, Ohio
Smith, Va.
Smith, Wash.
Smith, W. Va.
Snyder
South
Sparkman
Spence
Springer
Steagall
Stearns, N. H.
Stefan
Sumner, Ill.
Sutphin
Taber
Talle
Tarver
Taylor, Tenn.
Tenerowicz
Terry
Thill
Thomas, Tex.
Thomason
Thorkelson
Tibbott
Tolan
Treadway
Van Zandt
Vinson, Ga.
Voorhis, Calif.
Vorys, Ohio
Wadsworth
Wallgren
Walter
Ward
Warren
Welch
West
Wheat
Whelchel
White, Idaho
White, Ohio
Wigglesworth
Williams, Del.
Williams, Mo.
Winter
Wolfenden, Pa.
Wolverton, N. J.
Wood
Woodruff, Mich.
Youngdahl
Zimmerman

NAYS—1

Tinkham

NOT VOTING—73

Arnold
Austin
Ball
Bender
Boehne
Boykin
Bradley, Mich.
Bradley, Pa.
Brewster
Buckley, N. Y.
Caldwell
Clark
Cluett
Courtney
Cox
Curley
Dickstein
Dies
Dunn
Eaton, N. J.
Evans
Faddis
Fitzpatrick
Gifford
Green
Hart
Harter, N. Y.
Hartley
Hendricks
Hennings
Izac
Johns
Jones, Tex.
Keller
Kelly
Kennedy, Martin
Kennedy, Md.
Kirwan
Lambertson
McGranery
McReynolds
Magnuson
Mansfield
Mitchell
Myers
Nichols
Norrell
Norton
Osmers
Pace
Pierce, N. Y.
Richards
Robsion, Ky.
Rockefeller
Sabath
Schiffler
Scrugham
Secrest
Shannon
Smith, Ill.
Somers, N. Y.
Starnes, Ala.
Sullivan
Sumners, Tex.
Sweeney
Taylor, Colo.
Thomas, N. J.
Vincent, Ky.
Vreeland
Weaver
Whittington
Wolcott
Woodrum, Va.

So the bill was passed.

The Clerk announced the following pairs:

General pairs:

Mr. Woodrum of Virginia with Mr. Eaton of New Jersey.
Mr. Sullivan with Mr. Wolcott.
Mr. Boehne with Mr. Osmers.
Mr. Whittington with Mr. Robsion of Kentucky.
Mr. Norrell with Mr. Ball.
Mr. Smith of Illinois with Mr. Cluett.
Mr. Secrest with Mr. Bender.
Mr. Fitzpatrick with Mr. Bradley of Michigan.
Mr. Arnold with Mr. Harter of New York.
Mr. Pace with Mr. Austin.
Mr. Scrugham with Mr. Hartley.
Mr. Martin J. Kennedy with Mr. Gifford.
Mr. Courtney with Mr. Schiffler.
Mr. Magnuson with Mr. Johns.
Mr. Hennings with Mr. Pierce of New York.
Mr. Somers of New York with Mr. Lambertson.
Mr. Dickstein with Mr. Rockefeller.
Mr. Nichols with Mr. Thomas of New Jersey.
Mr. Kirwan with Mr. Vreeland.
Mr. Caldwell with Mr. Brewster.
Mr. Cox with Mr. Myers.
Mr. Jones of Texas with Mr. Evans.
Mr. Mansfield with Mr. Bradley of Pennsylvania.
Mr. Dies with Mr. Faddis.
Mr. Starnes of Alabama with Mr. Keller.
Mr. Weaver with Mr. Hart.
Mrs. Norton with Mr. Sabath.
Mr. McReynolds with Mr. Buckley of New York.
Mr. Taylor of Colorado with Mr. Dunn.
Mr. Green with Mr. Sweeney.
Mr. Sumners of Texas with Mr. Kelly.
Mr. Hendricks with Mr. Shannon.
Mr. Richards with Mr. Kennedy of Maryland.
Mr. Boykin with Mr. Vincent of Kentucky.
Mr. Clark with Mr. Izac.
Mr. McGranery with Mr. Mitchell.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. COCHRAN. Mr. Speaker, I made some remarks on the revenue bill today and referred to an article in the St. Louis Post Dispatch. I ask unanimous consent to revise and extend my own remarks in the RECORD and to include that article in my remarks.

The SPEAKER pro tempore (Mr. RAYBURN). Is there objection to the request of the gentleman from Missouri [Mr. COCHRAN]?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their own remarks in the RECORD on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

ANNOUNCEMENT OF VOTE

Mr. DOUGHTON. Mr. Speaker, my colleague the gentleman from North Carolina, Mr. WEAVER, is unavoidably absent. Had he been present, he would have voted "yea."

Mr. COOPER. Mr. Speaker, I desire to announce that the gentleman from Indiana, Mr. BOEHNE, was unavoidably absent on account of the serious illness of his father. If present, he would have voted "nay" on the motion to recommit and "yea" on the passage of the bill.

The gentleman from Mississippi, Mr. WHITTINGTON, was unavoidably absent attending the graduation of his son at Princeton University. He asked me to announce that if present he would have voted "nay" on the motion to recommit and "yea" on the passage of the bill.

OUR PRESENT ECONOMIC TROUBLE AND FUTURE OUTLOOK

Mr. WEST. Mr. Speaker, I ask unanimous consent to extend my own remarks at this point in the RECORD and to include a short statement by the Honorable Robert J. Kleberg, Jr., of Kingville, Tex.

The SPEAKER pro temore. Is there objection to the request of the gentleman from Texas [Mr. WEST]?

There was no objection.

Mr. WEST. Mr. Speaker, in these days of unrest and unemployment, when so many are advocating Government subsidy for each and every one who will not or cannot earn a living, it might be well for thoughtful Americans earnestly

desiring a continuance of our present form of government to contemplate the future. Many, many persons are advocating the theory that the thrifty support the indolent; that others be paid more than they earn, and that everyone have everything he wants. This appeals to some of the unthinking. It is a beautiful theory, but not practical. So long as God in His infinite wisdom endows some with more ability, energy, and thrift than He does others, so long we will have with us those whose earning power is below others, others whose ability to earn is limited. Such conditions are the laws of Nature. The Members of Congress should realize that, try as we may, they cannot repeal the laws of Nature nor the law of supply and demand; that the Government does not owe the average citizen a living, but merely is obligated to provide an equal opportunity to all.

Let us resolve that as long as we are charged with the obligation of running the affairs of government we will do so, not to perpetuate ourselves in office but, rather, consecrate ourselves to the task of perpetuating our present form of free government, so when our course is run we will pass on to our successors the same form of government which was handed to us. Our political success or failure is of no consequence, but the preservation of our free institutions is vital.

In this connection I ask you to carefully read and thoughtfully consider the statement of Hon. Robert J. Kleberg, Jr., manager of the King ranch in Texas. He is a student of economic conditions and the causes thereof. He is recognized as one of Texas' most outstanding and successful citizens. He is experienced in business, and his ideas as expressed are based on experience and not on theory and inexperience. His statement follows:

Our entire modern economic progress is founded on the principle of distributing wealth through continued price reduction and paying higher salaries and wages to management and labor, whenever through efficiency and education or the aid of science they can produce and distribute goods cheaper.

Our economic progress has been retarded by the growth of fixed charges; principally unsound taxation, local, State, and national, and the activities of radical labor and other groups closely akin to racketeering, resulting in the hardening of our great arteries of commerce and interfering with the proper distribution of our wealth.

The value of the total national production of goods and services in 1929, if divided equally among the entire population, would have given to each person approximately $665. Hence it is clear that the consumptive requirements, and especially the wants of the masses of the people, are far from being satisfied. To meet this consumer's demand our entire economic and social system is and should be designed to give the consumer the utmost for his money or expended energy. It is sound and fair that the consumer should be taxed in proportion to what he consumes to defray the cost of all government (local, State, and national) and for any other necessary social purpose. This would be flexible taxation and not fixed or destructive to our economic progress.

In 1929 the national production of goods and services required the utilization of practically all of the labor in the country on a 50-hour-per-week basis to produce approximately $80,000,000,000 worth of goods. It is clear from this that labor will have to be approximately as industrious at this time to supply the consumption demands of the country.

The United States is the richest country in the world. Its natural resources and capital are immense. Far greater than these, however, is its newly found ability to produce unlimited amounts of goods. It can produce almost as much new wealth in a 3-year period as its total capitalization. Ninety-five percent of its market is domestic, only 5 percent is export. Until the 1929 crash and subsequent depression, it had little trouble in finding a ready (95 percent domestic) market for all it produced. During the 10-year period (1919–29) before the depression it undertook the commendable task of providing adequate educational and highway systems for its 120,000,000 citizens. A glaring example of unsound taxation and finance followed. Approximately $50,000,000,000 worth of bonds were issued against agricultural and other real estate, and the proceeds used to carry out these projects. During the time that these bonds were being sold and the improvements made, business generally was stimulated. A high wage scale and level of employment prevailed throughout the country, followed by a tremendous stock-market speculation, which even spread to other countries.

In spite of all this apparent prosperity and attendant high wage scale and high standard of living, agriculture steadily declined as its unfair debt load mounted. It had to pay the interest and sinking funds on these great public improvements.

Since a large part of our population is dependent on agriculture, it is impossible for a country almost wholly dependent on a domestic market to prosper long with so large a part of its consuming market crippled by an unfair tax burden.

The Hoover and Roosevelt administrations have ignored or failed to consider the above facts, and the present administration has repeated our local and State folly on a national scale by still further bonding the country and spending the proceeds to stimulate and create false prosperity. Under these unfair policies, labor practices and other forms of racketeering have sprung up, again increasing fixed charges which prevent the distribution of goods and services at the lowest prices and in the greatest quantities, to the deserving and industrious citizen.

Continually greater consumer demand for goods and services can only be created and stimulated as our scientific, inventive, and administrative genius makes it possible to pay someone more money to produce an article or render a service cheaper, thereby increasing the buying power of the Nation. Education should play a large part in this process, our highway systems should be designed to help, and it should be the duty of our Government to protect property, prevent monopoly, labor or other forms of racketeering, and stimulate foreign commerce. Only in this way can Government, education, and good roads help distribute wealth. They are part of the consumer's costs and should be paid for by the consumer through a consumer's tax. Or, in other words, the citizen would be paying his Government, his highway system, and his educational system for service rendered in helping reduce costs. The measure of value of these agencies should be the amount they contribute toward increasing production and lowering costs. The citizen can thereby determine their value and should be willing to pay a proper percentage on the value of goods he consumes.

Radical labor movements, forms of racketeering, or any other monopolistic tendencies which prevent the citizen from obtaining larger quantities of better goods for his money or his efforts, or which prevent just reward for better educational attainments or inventive genius, should not be permitted or tolerated in a free country.

Once our American system is free of fixed charges, the laws of supply and demand will function normally, with uncertainty eliminated confidence would return, and our prosperity and standard of living will be measured as it justly should, by our individual initiative, energy, and moral qualities.

TRAINING OF CIVIL AIRCRAFT PILOTS

Mr. LEA. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 5619) to provide for the training of civil aircraft pilots, and for other purposes and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Strike out all after the enacting clause and insert:

"That this act may be cited as the 'Civilian Pilot Training Act of 1939.'

"SEC. 2. The Civil Aeronautics Authority is authorized, within the limits of available appropriations made by the Congress, to train civilian pilots or to conduct programs for such training, including studies and researches as to the most desirable qualifications for aircraft pilots. Such training or program shall be conducted pursuant to such regulations as such Authority may from time to time prescribe, including regulations requiring students participating therein to maintain appropriate insurance and to pay such laboratory or other fees for ground-school training, not exceeding $40 per student, as the Authority may deem necessary or desirable: *Provided,* That in the administration of this act none of the benefits of training or programs shall be denied on account of race, creed, or color. Such training or programs may be carried out either through the use of the facilities and personnel of the Authority or by contracts with educational institutions or other persons (as defined in sec. 1 (27) of the Civil Aeronautics Act of 1938).

"SEC. 3. At least 5 percent of the students selected for training under this Authority shall be selected from applicants other than college students.

"SEC. 4. The Authority is authorized to lease or accept loans of such real property, and to purchase, lease, exchange, or accept loans of such personal property, as may be necessary or desirable for carrying out the provisions of this act.

"SEC. 5. For the purpose of carrying out its functions under this act, the Authority is authorized to exercise all powers conferred upon it by the Civil Aeronautics Act of 1938 and to appoint and fix the compensation of experienced instructors, airmen, medical, and other professional examiners and experts in training or research without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States. The provisions of section 3709 of the Revised Statutes shall not apply to contracts with educational institutions and other persons for the use of aircraft or other facilities or for the performance of services authorized by section 2 of this act.

"SEC. 6. Any executive department or independent establishment is hereby authorized to cooperate with the Authority in carrying out the purposes of this act, and for such purposes may lend or transfer to the Authority, by contract or otherwise, or if so requested by the Authority, lend to educational institutions or other persons cooperating with the Authority in the conduct of any such training or program, civilian officials, experts, or employees, aircraft and other property or equipment and lands or buildings under its control and in excess of its own requirements.

"SEC. 7. There is hereby authorized to be appropriated the sum of $5,675,000 for the purpose of carrying out the provisions of this act during the fiscal years 1939 and 1940, and not to exceed the sum of $7,000,000 during each subsequent fiscal year. This act shall expire on July 1, 1944, and all contracts, leases, or other obligations entered into under this act shall expire on or prior to such date: *Provided*, That no alien shall receive training under the provisions of this act."

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California [Mr. LEA]?

Mr. COCHRAN. Mr. Speaker, reserving the right to object, may I ask the gentleman from California if the Senate amendment which he is accepting provides a limitation on the authorization for future years? If he will recall, when this bill was under consideration in the House, at the last moment I discovered it was wide open and that there was no limitation. The Senate, as I recall, placed in the bill a limitation for future years. Is that included?

Mr. LEA. The Senate amendment to be concurred in limits the expenditure to $7,000,000 per year after the fiscal year 1940.

Mr. COCHRAN. I am very glad that the gentleman accepts the Senate amendment.

Mr. MAPES. Mr. Speaker, reserving the right to object, it has been suggested that the gentleman state briefly just how the Senate amendments differ from the House bill.

Mr. LEA. Mr. Speaker, there are two amendments agreed to by the Senate in addition to the House bill. One provides for the limitation of expenditures in future years to $7,000,000 a year, as I have just mentioned, and the other is in reference to the employees of the Commission.

The House provided for temporary employees, which would be an exception to the civil service. The Senate amendment strikes out that provision and authorizes the employment outside of the civil service of experienced instructors, airmen, medical and other professional examiners, and experts in training or research.

Mr. MAPES. Mr. Speaker, the minority members of the Committee on Interstate and Foreign Commerce approve the action of the chairman of the Committee on Interstate and Foreign Commerce in asking unanimous consent that the Senate amendments be concurred in. We feel the Senate has improved upon the House bill and we have no objection.

Mr. SCHAFER of Wisconsin. Reserving the right to object, Mr. Speaker, the gentleman said there is no objection from the minority?

Mr. MAPES. The minority members of the Committee on Interstate and Foreign Commerce.

Mr. SCHAFER of Wisconsin. Yes. What I want to find out now is this: Is it impossible to fill these appointments under the civil service merit system?

Mr. MAPES. It is possible to fill these positions in that way except for certain experts and a few other exceptions.

Mr. SCHAFER of Wisconsin. Are we to understand that excepted positions as embodied in the Senate amendment cannot be filled under the civil service merit system?

Mr. LEA. There is an exemption in this bill from the civil service of the experts mentioned, but it is a limitation on the provision as passed by the House, which was broader in exempting from the civil service.

Mr. SCHAFER of Wisconsin. The Government selects a great many different kinds of experts under the civil service merit system. I do not see why there should be an exception in this case unless the Civil Service Commission is incompetent. Therefore I object.

Mr. MAPES. Will the gentleman withhold his objection for just a moment?

Mr. SCHAFER of Wisconsin. Yes, Mr. Speaker, I withhold the objection.

Mr. MAPES. As the chairman of the committee has stated, the Senate amendment places more positions under the civil service than did the House bill and thus goes a step further in the direction of civil service. Some of us agree with the gentleman's position, but I may say that the Senate bill is an improvement over the House bill in that respect.

Mr. SCHAFER of Wisconsin. I do not believe that we should pass bills creating positions exempt from the civil service merit system. Congress has been flooded with a great deal of propaganda asking us to support the Ramspeck bill which covers into lifetime civil-service positions many thousands of New Deal employees who have received their appointments under a political-spoils system. However, in view of the fact that the Senate bill leans a little more toward the selective civil service merit system, and in view of the fact that we will not be able to put a real merit system into effect until after the 1940 election, I withdraw my objection.

Mr. MAPES. May I say further that, along with the gentleman from Wisconsin, I have fought very consistently for the extension of the civil-service system to cover the appointment of all these officers. We have done the best we could to that end in connection with this bill, and I repeat that the Senate provision is an improvement over the House provision in that respect.

Mr. HOFFMAN. Reserving the right to object, Mr. Speaker, may I ask the gentleman from Michigan if any of the million employees whom Murphy is going to discharge are under the civil service?

Mr. MAPES. We have not discovered any million employees being discharged as yet.

Mr. HOFFMAN. Does the gentleman mean that is just talk?

Mr. MAPES. As far as I know.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

ANNOUNCEMENT

Mr. TERRY. Mr. Speaker, my colleague the gentleman from Arkansas, Mr. NORRELL, is absent today on account of important business. If he were present, he would have voted "nay" on the motion to recommit the revenue bill, and would have voted "yea" on the final passage of the bill.

EXTENSION OF REMARKS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to insert in the CONGRESSIONAL RECORD the peace program of the businessmen's committee of the American Union for Concerted Peace Efforts.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. PETERSON of Florida. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today and include therein certain tabulations.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. BARNES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an article by Mrs. Sara John English, of Jacksonville.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SMITH of Connecticut. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. CASEY] may have permission to extend his own remarks in the RECORD and include therein a letter received by him on the question of relief.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. D'ALESANDRO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an article from the Evening Sun on the National Youth Administration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. HAVENNER. Mr. Speaker, I ask unanimous consent to have inserted in the Appendix of the RECORD an address delivered by the Postmaster General in San Francisco.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

ANNOUNCEMENT

Mr. SCHAFER of Wisconsin. Mr. Speaker, my colleague from Wisconsin, Mr. JOHNS, was unavoidably absent this afternoon on account of illness in his family. If he were present, he would have voted "yea" on both the roll calls this afternoon.

VOTE ON THE REVENUE BILL

Mr. SECCOMBE. Mr. Speaker, my colleague the gentleman from Ohio, Mr. BENDER, is unavoidably absent. Had he been present, he would have voted "yea" on the motion to recommit the revenue bill, and also "yea" on the passage of the bill.

EXTENSION OF REMARKS

Mr. SECCOMBE. Mr. Speaker, I also ask unanimous consent that the gentleman from Ohio [Mr. BENDER] may be permitted to extend his own remarks in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio [Mr. SECCOMBE]?

There was no objection.

Mr. THORKELSEN and Mr. HOFFMAN asked and were given permission to revise and extend their own remarks in the RECORD.

Mr. OLIVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a copy of a broadcast made by me last Saturday evening.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. FRIES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial which appeared in the Illinois State Register, one of the greatest newspapers in the Middle West, with respect to the W. P. A. and its program; and also an ad which was bought and paid for by 33 of the outstanding citizens and businessmen of Springfield, Ill., commending the W. P. A. employees and the W. P. A. administrators for their efficient manner of putting over W. P. A. projects in that particular area.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. FRIES]?

There was no objection.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. CHURCH] is recognized for 40 minutes.

Mr. CHURCH. Mr. Speaker, at this late hour, in order to complete my statement in perhaps 20 minutes instead of the 40, I ask unanimous consent to extend my own remarks in the RECORD and to include at the places I shall indicate in my address a copy of a letter by the Acting Comptroller General of the United States to the President of the Federal Home Loan Bank Board, together with certain photostatic copies of investigation records furnished me by the General Accounting Office, a copy of two reply letters by the Vice Chairman of the Board, and a letter addressed to me by the Comptroller General of the United States.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. CHURCH]?

There was no objection.

Mr. CHURCH. Mr. Speaker, it will be recalled that last year I had occasion to bring to the attention of the House the illegal use of the franking privilege by Horace Russell, the then General Counsel of the Home Owners' Loan Corporation. It will also be recalled that a few hours after that public exposure on this floor he resigned his position.

Since that time I have taken it upon myself to conduct a little private inquiry into the activities of the Home Owners' Loan Corporation. Every Member here has constituents who are borrowers from this corporation and has constituents who hold its bonds for which all taxpayers are indirectly liable. To them we individually and collectively have the duty to protect their interests.

The Home Owners' Loan Corporation, established by the act of June 13, 1933, is directed and operated by the Federal Home Loan Bank Board, set up by the act of July 22, 1932. This same Board also directs and operates the Federal Savings & Loan Insurance Corporation, established by the act of June 27, 1934, as well as controls the 12 Federal Home Loan banks. I might also state, with a view to indicating the financial interrelationship of the two corporations, that under the law the Home Owners' Loan Corporation holds all the $100,000,000 of capital stock of the Federal Savings & Loan Insurance Corporation, purchased by H. O. L. C. bonds. Suffice it to say that the Federal Home Loan Bank Board is one of the most powerful agencies of this Government, conducting financial operations involving billions of dollars. The Home Owners' Loan Corporation itself is authorized to issue bonds in the amount of $4,750,000,000.

My investigation naturally led to an examination of the work of all these interrelated functions of the corporations under the Federal Home Loan Bank Board. Of necessity, the study I have been able to make has been anything but exhaustive. It could not be otherwise, for no individual Member of Congress has the power, the time, nor the resources to make a thorough investigation. Nonetheless, Mr. Speaker, as incomplete as my individual investigation has been, it has brought to light some very startling facts, which I feel obliged to call to the attention of this House.

It is our evident duty to authorize and direct some committee of this House to make a complete audit of all accounts of the H. O. L. C., the Federal Savings and Loan Insurance Corporation, and the Federal Home Loan Bank Board, as well as to investigate the illegal activities and expenditures of certain officials. Mr. Speaker, I have discovered a state of affairs in connection with the H. O. L. C. and the Federal Savings and Loan Insurance Corporation that we must not allow to continue and which warrants the prompt dismissal of a number of officials.

First, I publicly charge Mr. Nugent Fallon, now General Manager of the Federal Savings and Loan Insurance Corporation, with using Government funds to travel to and from his home for his own personal pleasure and personal business. I demand his immediate resignation. His conduct in this regard has been a deliberate fraud, and such a man is not entitled to hold the responsible position that he now holds, where he handles millions of dollars of money belonging to the people you and I represent.

Mr. Nugent Fallon has a home at 74 Greenway Terrace, Forest Hills, N. Y., and he has a summer home at 135 Beach Bluff Avenue, Swampscott, Mass., a suburb of Boston. With these facts in mind, I now wish to read to the House some of the travel performed by Mr. Fallon which he charged to the Federal Savings and Loan Insurance Corporation.

COST

To New York, Dec. 11 to Dec. 15, 1935 (week end)	$54.64
To New York, Dec. 22 to Dec. 25, 1935 (holidays)	29.06
To New York, Jan. 15 to Jan. 16, 1936	31.89
To New York, Jan. 31 to Feb. 2, 1936 (week end)	32.76
To New York, Feb. 9 to Feb. 10, 1936 (week end)	31.29
To Boston, Feb. 29 to Mar. 3, 1936 (week end)	55.11
To New York, Mar. 7 to Mar. 10, 1936 (week end)	34.43
To New York, Apr. 3 to Apr. 6, 1936 (week end)	38.83
To New York, Apr. 24 to Apr. 26, 1936 (week end)	44.21
To New York, Boston, May 3 to May 18, 1936	78.39
To New York, May 26 to May 31, 1936 (week end)	85.85
To Boston, June 17 to June 29, 1936	121.80
To New York, Boston, July 17 to July 20, 1936 (week end)	57.30
To New York, July 30 to Aug. 12, 1936	54.25
To New York, Boston, Aug. 21 to Aug. 25, 1936 (week end)	65.45
To Boston, Sept. 4 to Sept. 14, 1936	103.10
To New York, Boston, Sept. 22 to Sept. 27, 1936 (week end)	78.65
To New York, Oct. 10 to Oct. 17, 1936 (week end)	74.05
To New York, Nov. 11 to Nov. 13, 1936	32.85
To Boston, Nov. 27 to Nov. 29, 1936 (week end)	49.55
To Boston, Dec. 13 to Dec. 15, 1936 (week end)	50.00
To New York, Dec. 17 to Dec. 18, 1936	24.95
To New York, Apr. 9 to Apr. 10, 1937	24.95
To Boston, Apr. 20 to Apr. 28, 1937 (week end)	113.30

COST—continued

To New York, May 27 to May 29, 1937	$43.45
To New York, June 12 to June 13, 1937 (week end)	32.55
To New York, Boston, June 15 to June 23, 1937	126.05
To Boston, July 1 to July 6, 1937 (holidays)	35.30
To New York, July 9 to July 13, 1937 (week end)	26.05
To New York, July 31 to Aug. 3, 1937 (week end)	25.85
To Boston, Aug. 6 to Aug. 23, 1937	176.80
To Boston, Aug. 31 to Sept. 8, 1937 (week end, holiday)	96.00
To New York, Sept. 28 to Sept. 29, 1937	27.90
To Boston, Oct. 25 to Oct. 28, 1937	69.70
To Boston, Dec. 6 to Dec. 12, 1937 (week end)	152.00
To New York, Boston, Jan. 25 to Jan. 28, 1938	47.95
To Boston, Feb. 7 to Feb. 11, 1938	57.25
To Boston, Feb. 22 to Feb. 24, 1938 (holiday)	46.45
To Virginia, North Carolina, South Carolina, Feb. 27 to Mar. 8, 1938 (2 week ends)	102.30
To New York, Apr. 7 to Apr. 12, 1938 (week end)	42.60
To Norfolk, Va., Apr. 15 to Apr. 18, 1938 (week end)	21.75
To New York, Boston, May 3 to May 5, 1938	45.30
To New York, Aug. 11 to Aug. 15, 1938 (week end)	26.80
To New York, Aug. 31 to Sept. 6, 1938 (holiday)	74.75

The House has no doubt noted how frequently these trips to Boston and New York, where Mr. Fallon has his respective homes, occur on week ends and holidays. How convenient it is to have all Government business to transact on week ends and holidays and in the immediate vicinity of one's home.

In substantiation of my charge, Mr. Speaker, I have asked unanimous consent to have inserted in the RECORD at this point, a copy of a letter addressed by the Acting Comptroller General of the United States to the president of the Federal Home Loan Bank Board under date of November 1, 1938, together with certain photostatic copies of investigation records furnished me by the General Accounting Office.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, November 1, 1938.

PRESIDENT, FEDERAL HOME LOAN BANK BOARD.

SIR: Examination by representatives of this office of the accounts and records of John Byrns, Treasurer, Federal Savings & Loan Insurance Corporation, brings out matters to which it is thought advisable to invite your attention and which are reported substantially as follows:

In the examination of the vouchers retained by Mr. Byrns it was noted therefrom that most of the travel performed by Mr. H. E. Hoagland, member of the board of trustees of the Federal Savings & Loan Insurance Corporation was to Columbus, Ohio, and vicinity, while Mr. Nugent Fallon, General Manager of the said Corporation, made numerous trips to New York, Boston, and vicinity.

(a) Mr. Hoagland's travel expenses, which were paid by the Federal Savings & Loan Insurance Corporation, were as follows:

Voucher No.	Period	Amount
77	Aug. 16 to Aug. 21, 1934	$71.97
155	May 3 to May 6, 1935	47.98
161	May 7 to May 14, 1935	112.98
201	July 4 to July 7, 1935	53.98
257	Oct. 9 to Oct. 13, 1935	75.31
524	June 18 to June 22, 1936	68.10
544	July 17 to July 20, 1936	64.00
775	Apr. 2 to Apr. 6, 1937	81.85

It is understood that the authority for Mr. Hoagland to incur such travel expense was granted by the board of directors of the Federal Home Loan Bank Board, May 31, 1935, in resolution, in part, as follows:

Be it resolved, That *members of the board of trustees* for Federal Savings & Loan Insurance Corporation * * * be authorized to travel in their discretion on the official business of the Federal Savings and Loan Insurance Corporation and to select such mode of travel and such accommodations in travel and such route or routes of travel as the traveler in each case may determine to be most appropriate * * *." [Italic supplied.]

In view of the fact that Mr. Hoagland apparently arranged a number of his trips so as to be at Columbus, Ohio, his former home, at weekends, frequently using Government transportation requests in connection with such trips, question is raised whether there was a commingling of private and public business. In this connection attention is called to Comptroller General's decision of December 6, 1921 (1 Comp. Gen. 299), wherein it is held that when there is a mingling of private matters with Government business by a Government officer or employee in a travel status the expenses incurred thereby cannot be charged against the Government. Also see paragraph 20 of Standardized Government Travel Regulations approved by the President January 30, 1934, and December 10, 1935, prohibiting the use of Government transportation requests for personal travel.

(b) The travel performed by Mr. Nugent Fallon, the cost of which was paid by the Federal Savings & Loan Insurance Corporation, is as follows:

Period	Voucher No.	Amount
Dec. 11 to Dec. 15, 1935	324	$54.64
Dec. 22 to Dec. 25, 1935	340	29.06
Jan. 15 to Jan. 16, 1936	359	31.89
Jan. 31 to Feb. 2, 1936	383	32.76
Feb. 9 to Feb. 10, 1936	389	31.29
Feb. 29 to Mar. 3, 1936	417	55.11
Mar. 7 to Mar. 10, 1936	423	34.43
Apr. 3 to Apr. 6, 1936	447	38.83
Apr. 24 to Apr. 26, 1936	467	44.21
May 3 to May 18, 1936	484	78.39
May 26 to May 31, 1936	499	85.85
June 17 to June 29, 1936	525	111.80
July 17 to July 20, 1936	542	57.30
July 30 to Aug. 12, 1936	564	54.25
Aug. 21 to Aug. 25, 1936	574	65.45
Sept. 4 to Sept. 14, 1936	595	103.10
Sept. 22 to Sept. 27, 1936	614	78.65
Oct. 10 to Oct. 17, 1936	628	74.05
Nov. 11 to Nov. 13, 1936	653	32.85
Nov. 27 to Nov. 29, 1936	668	49.55
Dec. 13 to Dec. 15, 1936	679	50.00
Dec. 17 to Dec. 18, 1936	687	24.95
Apr. 9 to Apr. 10, 1937	782	24.95
Apr. 20 to Apr. 28, 1937	808	113.30
May 27 to May 29, 1937	844	43.45
June 12 to June 13, 1937	858	32.55
June 15 to June 23, 1937	868	126.05
July 1 to July 6, 1937	886	35.30
July 9 to July 13, 1937	898	26.05
July 31 to Aug. 3, 1937	916	25.85
Aug. 6 to Aug. 23, 1937	942	176.80
Aug. 31 to Sept. 8, 1937	968	96.00
Sept. 28 to Sept. 29, 1937	1001	27.90
Oct. 25 to Oct. 28, 1937	1049	69.70
Dec. 6 to Dec. 12, 1937	1110	152.00
Jan. 25 to Jan. 28, 1938	1177	47.95
Feb. 7 to Feb. 11, 1938	1200	57.25
Feb. 22 to Feb. 24, 1938	1224	46.45
Feb. 27 to Mar. 8, 1938	1247	102.30
Apr 7 to Apr. 12, 1938	1296	42.60
Apr. 15 to Apr. 18, 1938	1297	21.75
May 3 to May 5, 1938	1332	45.30
Aug. 11 to Aug. 15, 1938	1466	26.80
Aug. 31 to Sept. 6, 1938	1486	74.75

The majority of the vouchers above listed cover travel between Washington, D. C., New York City, Boston, Mass., and vicinity, any many of them are for periods including holidays and weekends.

The authority for Mr. Fallon to incur travel expense is likewise understood to have been granted by the board of directors of the Federal Home Loan Bank Board, May 31, 1935, in resolution, in part, as follows:

"Be it resolved, That members of the board of trustees for Federal Savings & Loan Insurance Corporation *the general manager,* or the acting general manager, and the general counsel of the Federal Savings & Loan Insurance Corporation be authorized to travel in their discretion *on the official business* of the Federal Savings & Loan Insurance Corporation and to select such mode of travel and such accommodations in travel and such route or routes of travel as the traveler in each case may determine to be most appropriate, and such expenses as may be incurred in such travel on such basis are authorized and approved and a per diem in lieu of subsistence for members of the board of trustees, the general manager, or the acting general manager, and the general counsel is authorized and approved in the sum of $7 per diem and such expenditures as are authorized by this resolution are in the discretion of the board proper, and when incurred as herein provided, will have been properly incurred and shall be paid." [Italics supplied.]

While many of the trips were presumably on official business of the Government, in view of the fact that many of them were apparently arranged so as to permit of Mr. Fallon's being at his homes near New York, and at Swampscott near Boston, Mass., question is raised whether there was a commingling of private and public business. See in this connection 1 Comptroller General 299 and Standardized Government Travel Regulations hereinabove referred to, with reference to Mr. Hoagland's travel.

(c) Concerning the travel performed by Mr. Fallon at the expense of the Federal Savings & Loan Insurance Corporation, it was noted that although certain of his vouchers show that he was at one place, he either sent telegrams or received them at a different place, as hereinafter set forth:

Voucher No. 525 shows traveler on duty in Boston, Mass., June 24, 1936; however, a telegram was sent from Marblehead, Mass., signed by the traveler, as follows:

MARBLEHEAD, MASS., *June 24, 1936.*

MISS HARRIET ROACH,
7522 New Post Office Building,
Washington, D. C.:

Please put my name on Woodall increase with notation. Have Broderick put some time on our report to Congress. Tell him his

manuscript should be written so his readers will understand and enjoy reading it. Champlain meeting, more golf than work; Boston meeting very interesting and profitable.

NUGENT FALLON.

Voucher No. 564 shows traveler on duty in New York until 5 p. m., August 3, 1936, and annual leave from 5 p. m., August 3, 1936, to 8 a. m., August 11, 1936; the leave records, however, show Mr. Fallon on leave from August 4, 1936, to August 8, 1936, inclusive, leaving 1 day, August 10, 1936, not reported on leave records. It will be noted that the voucher shows duty in New York until 5 p. m., August 3, 1936; however, a telegram was sent by Mr. Fallon on August 3, 1936, from Marblehead, Mass., reading as follows:

BA 318-38 Gov't Collect XC Marblehead, Mass. 3-12-22P

Miss HARRIET ROACH,

Room 7522, New Post Office Building,
Washington, D. C.:

Advise Armstrong I wish to discuss Wheeling affair with him. I question if it belongs in report of year ending June 30, through delay in settlement with Treasury. Mail blank paper and large envelopes.

NUGENT FALLON.

Voucher No. 886 shows traveler on duty in Boston on July 3, 1937; however, a telegram was sent to Mr. R. K. Bruhn, field representative, reading as follows:

WASHINGTON, D. C., *July 2, 1937.*

Mr. R. K. BRUHN,

% Federal Home Loan Bank of Boston,
111 Devonshire Street, Boston, Mass.:

Please telephone Mr. Fallon early Saturday morning, July 3, at Breakers 5319, Beachbluff, Mass., his request.

SECRETARY TO MR. FALLON.

Voucher No. 968 shows traveler on duty in Boston, Mass., on September 4, 1937, however, Mr. Fallon sent a telegram on that date from Marblehead, Mass., reading as follows:

BA 77 22 Gov't Collect MG Marblehead, Mass., 4-902A.

Miss Harriet Roach, Federal Savings & Loan Insurance Corporation, First Street and Indiana Avenue, Washington, D. C.

Not sending Vermont letter. Nothing must go wrong with book. Advise PFEIFER to personally inspect and ship in New York.

N. FALLON.

Voucher No. 1247 shows traveler arriving in Raleigh, N. C., at 2:30 p. m., February 28, 1938, however, a telegram was sent to Mr. Fallon at Highland Pines Inn., Southern Pines, N. C., on that date by Miss Roach, his secretary, reading as follows:

"No word from Boston today got in touch with Fitzgerald. Mr. Kreutz hopes you can discuss field work and kid with Larogue. Personnel has approved Wilkes appointment; hope to get board action soon."

The following telegram was sent by Nugent Fallon from Southern Pines, N. C., on February 28, 1938:

SOUTHERN PINES, N. C., *February 28, 1938—10:20 a. m.*

OSCAR R. KREUTZ,

Deputy General Manager,
Federal Home Loan Bank Building, Washington, D. C.:

Cleared appointment Tilton Assistant General Manager eight thousand with him and Jones. Please have personnel papers set up with strong justification including possible savings bank work. Please sign and advance them if possible. Leave date entry on duty open.

NUGENT FALLON.

(d) With further reference to travel expenses incurred by Mr. Fallon, the following telegram was sent by Mr. Oscar R. Kreutz of the Federal Savings & Loan Insurance Corporation:

WASHINGTON, D. C., *July 11, 1936.*

Mr. AXEL HAWKINSON,

Secretary, Swedish-American Savings and Loan Association,
919 Walnut Street, Kansas City, Mo.:

Please arrange guest privileges Kansas City Club, Nugent Fallon and B. H. Wooten arriving Monday.

OSCAR R. KREUTZ,
Chairman, Review Committee.

It is inferred that the above telegram was sent in connection with Mr. Fallon's attendance at a meeting of representatives of various savings and loan associations. However, in view of the doubt as to the nature of the meeting, there is a question as to whether the provisions of the act of June 26, 1912, 37 Stat. 184, as amended (U. S. C. 5: 83), are for application in the instant case. Also see in this connection the following decisions pertaining to incurring obligations at the expense of the Government in attending conventions and meetings:

Nov. 1, 1924—4 Comp. Gen. 421.
Jan. 27, 1925—4 Comp. Gen. 630.
Feb. 9, 1926—5 Comp. Gen. 599.
March 20, 1926—5 Comp. Gen. 746.
April 17, 1926—5 Comp. Gen. 834.

It is requested that the Board give consideration to the questions whether all of the travel expense incurred by Messrs. Hoagland and Fallon pertained to the official business of the Federal Savings & Loan Insurance Corporation; whether Mr. Fallon was in fact in a travel status at Government expense while at places different from those shown in his expense vouchers; and whether in view of the statutory prohibition against incurring obligations at the expense of the Government for attending meetings and conventions, the expense so incurred was properly payable from the funds of the Federal Savings & Loan Insurance Corporation.

Respectfully,

R. N. ELLIOTT,
Acting Comptroller General of the United States.

GENERAL ACCOUNTING OFFICE
WASHINGTON

BOSTON, MASS., *September 27, 1938.*

For attention of investigations.
Chief of Investigations.
Re investigation concerning Mr. Nugent Fallon,
135 Beach Bluff Avenue, Swampscott, Mass.

Pursuant to your letter dated September 24, 1938, we contacted Mr. R. F. Butler, superintendent of the post-office branch at Swampscott, Mass., for the purpose of ascertaining the names of the occupants of the dwelling located at 135 Beach Bluff Avenue. There is no postmaster at this post-office branch and Mr. Butler is in charge. Mr. Butler advised us that Mr. Nugent Fallon lived at that address and that it was his summer home and that mail addressed to him (Mr. Nugent Fallon) had been delivered recently at that address. Mr. Butler further stated the post-office authorities had no forwarding address for Mr. Nugent Fallon, that mail was delivered to the residence and forwarded from there. Mr. Butler appeared to be reticent in giving us this information and implied that Mr. Fallon was no longer in Swampscott.

In view of Mr. Butler's attitude we called at 135 Beach Bluff Avenue and without making our identity known asked if Mr. Fallon was in. We were advised by Mrs. Carson, housekeeper at this address, that Mr. Fallon had left Sunday for Washington, and she further stated that Mr. Fallon was the owner of the property (located at 135 Beach Bluff Avenue) which he used as his summer home.

With reference to the records at the Parker House for the period June 19-21, 1937, Mr. Creighton, resident manager, was contacted. Mr. Creighton called his bookkeeper over the telephone and requested him to ascertain whether or not they had a registration card for Mr. Nugent Fallon for the period in question. The bookkeeper advised Mr. Creighton that he was unable to find any record of registration for Mr. Fallon for the whole year of 1937. Acting upon this advice, Mr. Creighton personally went down and rechecked the records and corroborated the statement made by the bookkeeper and also furnished us with a statement to that effect, which is attached herewith as exhibit No. 1.

Respectfully submitted.

ALEXANDER R. SHEPHERD, Jr.,
CARL P. JETTON,
Investigators.

GENERAL ACCOUNTING OFFICE
WASHINGTON

Office of the Comptroller General of the United States.
In reply quote initials.

SEPTEMBER 24, 1938.

Mr. RALPH HALE,

Care U. S. Treasury Department,
76 Ninth Avenue, New York, N. Y.

DEAR MR. HALE: For use in connection with an inspection now being made of the accounts and records of the Federal Savings & Loan Insurance Corporation, Washington, D. C., it is requested that, as soon as practicable, two members of your party be detailed to ascertain from the records of the Waldorf Astoria Hotel, whether a Mr. Nugent Fallon was registered there as a guest on December 11, 1935, and October 10, 1936; also, to ascertain from the records of the Biltmore Hotel whether Mr. Fallon was registered there as a guest on January 15, 1936, and July 31, 1937.

Prompt reply will be appreciated.

Cordially,

S. B. TULLOSS, *Chief of Investigations.*

GENERAL ACCOUNTING OFFICE
WASHINGTON

Office of the Comptroller General of the United States.
In reply quote initials.

NEW YORK, N. Y., *September 26, 1938.*

PG-38

Re: Inspection of Federal Savings and Loan Insurance Corporation, Washington, D. C.

Messrs. Chase and Palsgrove:

Letter from chief of investigations, dated September 24, 1938, attached, is self-explanatory. It is requested that you ascertain the information indicated therein as needed, and draft report thereon to chief of investigations.

This matter should be handled special and should take precedence over all other work that either of you may have pending before you.

RALPH HALE, *Investigator in Charge.*

GENERAL ACCOUNTING OFFICE

WASHINGTON

OFFICE OF THE COMPTROLLER GENERAL OF THE UNITED STATES,
NEW YORK, N. Y., *September 27, 1938.*

In reply quote initials.
Report No. 1383.

CHIEF OF INVESTIGATIONS: Pursuant to memorandum of Mr. Hall of September 26, 1938, assigning for investigation case P G-38—Inspection of Federal Savings & Loan Insurance Corporation, Washington, D. C. (ex. 1) and letter to Mr. Hale of September 24, 1938, from Mr. S. B. Tulloss, Chief of Investigations (ex. 2), I proceeded to the Waldorf-Astoria Hotel, Fiftieth Street and Park Avenue, New York City, where Mr. John H. Klughers, senior assistant manager, was contacted and upon presenting our credentials and stating the object of our visit, checked the hotel's records re Mr. Nugent Fallon having been a guest there on the dates of December 11, 1935, and October 10, 1936. Mr. Klughers stated the only registration of Mr. Fallon of record was October 14–17, 1936. We asked if we might examine all records re this period and he replied we would have to see Mr. Augustus Nulle, treasurer, and directed a bellboy to take us to Mr. Nulle.

Upon stating the information desired, Mr. Nulle phoned Mr. W. F. McDermott, credit manager, that he was sending us down and to let us examine all records pertaining to Mr. Fallon. Examination of the records failed to disclose Mr. Fallon as having been a guest of the hotel on the dates of December 11, 1935, and October 10, 1936. There was a record of Mr. Fallon being registered at 10:05 a. m., October 14, 1936, and departing at 7:57 a. m., October 17, 1936. He was assigned room No. 1701 at a special rate of $5.25 per day. The purpose shown on the registration card was to attend B. and L. (building and loan, title supplied by Mr. McDermott) association convention. Attached hereto is an extract of the account for October 14–17, 1936 (ex. 3).

At the Biltmore Hotel, Forty-third Street and Madison Avenue, attempts were made to contact Mr. W. H. Rorke, the manager, he being away from the hotel; we contacted Mr. F. W. Ehrhardt, assistant to Mr. Rorke, and asked him if we could examine the records of Mr. Nugent Fallon. Examination of the registration records at the Biltmore Hotel failed to reveal Mr. Fallon as having been a guest at the hotel on the dates of January 15, 1936, and July 31, 1937. Further search failed to show any registration of Mr. Fallon at this hotel.

In our examination of the records at the Waldorf-Astoria Hotel there was also disclosed the registration of Mrs. Nugent Fallon, of Forest Hills, N. Y., for 1 night only on April 20, 1936.

Respectfully submitted.

EARL P. CHASE,
WILLIAM G. PALSGROVE,
Investigators.

WASHINGTON, D. C., *July 11, 1936.*

Mr. AXEL HAWKINSON,
Secretary, Swedish-American Savings & Loan Association, 919 Walnut Street, Kansas City, Mo.:

Please arrange guest privileges Kansas City Club, Nugent Fallon and B. H. Wooten arriving Monday.

OSCAR R. KREUTZ,
Chairman, Review Committee.

The above does not appear to be official business, therefore not properly chargeable to official funds.

Numerous telegrams were sent in connection with lobbying for certain legislation; for list of such telegrams see exhibit 1.

There were also some telegrams sent regarding conventions, and paid for from official funds; for list of such telegrams see exhibit 2.

In view of the fact that much of the travel performed by Nugent Fallon covered week-ends in New York and Boston it has been developed that the 1938 New York telephone directory lists Mrs. Nugent Fallon as living at 74 Greenway Terrace, Forest Hills, N. Y., and information has been obtained through representatives of this office stationed in Boston, Mass., that Mr. Nugent Fallon is the owner of the property located at 135 Beach Bluff Avenue, Swampscott, Mass., and was used by him as a summer home.

The expense vouchers of Mr. Fallon showed taxi fare from station to certain hotels in New York City and Boston, Mass.; in this connection see exhibits 3 and 4.

T. H. REAVIS,
W. N. CRAWFORD.

It will be noted from the Comptroller General's letter to the President of the Federal Home Loan Bank Board that one Dr. H. E. Hoagland, a member of the board of trustees of the Federal Savings & Loan Insurance Corporation, also made a number of trips to Columbus, Ohio, on alleged Government business at Government expense, but where he had his home. Conveniently enough, the Hoagland trips were also week-end arrangements.

Before Mr. Fallon became general manager of the Federal Savings & Loan Insurance Corporation, at $10,000 a year, he was associated with the Home Owners' Loan Corporation at a salary of $8,500. I have no doubt that if an investigation were made of his travel charges when with the H. O. L. C. the same state of affairs would be revealed.

How does the Federal Home Loan Bank Board look upon the illegal expenditures of Mr. Fallon, General Manager of the Federal Loan Insurance Corporation, and of Dr. H. E. Hoagland, former member of the Board? Mr. Speaker, the Board simply condones them and makes itself a party to the activities. In proof of that statement I ask unanimous consent to have inserted in the RECORD at this point a copy of a letter addressed to the Acting Comptroller General by Mr. T. D. Webb, Vice Chairman of the Board, under date of November 4, 1938, and under date of December 14, 1938.

FEDERAL HOME LOAN BANK BOARD,
Washington, November 4, 1938.

Hon. R. N. ELLIOTT,
Acting Comptroller General of the United States,
Washington, D. C.

DEAR SIR: Your letter of November 1 to the Chairman, regarding the travel record of Dr. H. E. Hoagland, a former member of this Board, and Mr. Nugent Fallon, General Manager of the Federal Savings & Loan Insurance Corporation, has been referred to me.

Be assured that we greatly appreciate the courtesy of your statement, and the submission of your findings to us.

The communication will have the immediate attention of the Board and you will be advised of its conclusions.

In the meanwhile we have requested our Mr. J. B. Richards to confer with you on the subject in the next few days.

Very truly,

T. D. WEBB, *Vice Chairman.*

FEDERAL HOME LOAN BANK BOARD,
Washington, December 14, 1938.

R. N. ELLIOTT, Esq.,
Acting Comptroller General,
General Accounting Office, Washington, D. C.

SIR: Response to your courteous communication of November 1, 1938, A-47928, suggesting certain questions with regard to travel expenses incurred by Messrs. H. E. Hoagland and Nugent Fallon, former member of the Board of Trustees of the Federal Savings & Loan Insurance Corporation, and general manager of that corporation, respectively, has been delayed until careful consideration and study of these matters could be completed by the Board.

A thorough examination of the travel expense of Mr. Hoagland and of Mr. Fallon reveals that in every case the expense incurred by these gentlemen was pursuant to travel undertaken solely because of necessary official business of the Federal Savings & Loan Insurance Corporation.

You will appreciate that it is necessary for the Insurance Corporation to maintain constant contacts not only with insured institutions, but likewise with associations not yet insured, for the purpose of carrying out and encouraging the desired participation in the Government's program of insurance of savings and loan accounts. In all areas it has been necessary for the Insurance Corporation to maintain a constant check on the current financial and operating status of insured institutions as well as to closely scrutinize those institutions making application for membership in the insurance system. Mr. Fallon's work, in particular, has necessitated a continuous contact with legislative developments, especially in those areas where the volume of savings and loan association investment is large. Attention should be directed to the fact that Columbus, Ohio, and metropolitan Boston, Mass., are two of the country's most busy centers of savings and loan activity. In Ohio, at the outset of the Insurance Corporation's operations, disturbed local conditions in the building and loan field made necessary a closer than ordinary contact with local conditions. In Massachusetts the successful installation and operation of an insurance program has been complicated by the existence of the only State program of building and loan insurance in the country and has required a close and continuing familiarity with the problems and conditions peculiar to that area.

It has quite naturally been the practice of the Board to send its representatives into the various areas of the country where they are best known and where they are most thoroughly familiar with local problems and conditions. A great deal of the necessary contact work incident to the encouragement and establishment of the Government's insurance program in the savings and loan associations of the country has, of course, been conducted over week ends, at which time individuals prominent in the savings and loan field were available for conference.

Investigation has been made of the travel in connection with which the telegram of July 11, 1936, to which reference is made on page 7 of your letter, was sent. Mr. Fallon was not in attendance at any meeting or convention at the time of this travel but was engaged solely on business of the insurance corporation.

I trust that this communication will satisfactorily answer your queries with regard to this matter, and, if there is anything further which the Board can do to clarify matters of this nature, we shall be pleased to have your suggestions.

Very truly yours,

T. D. WEBB,
Vice Chairman, Board of Trustees.

I will not take the time to read these letters to the House, but I do urge every Member to read them. You will find that they represent an evasive attempt to "whitewash" the whole thing. For instance, they explain the matter in this way:

A great deal of the necessary contact work incident to the encouragement and establishment of the Government's insurance program in the savings and loan associations of the country has, of course, been conducted over week ends * * *."

That is how they explain the week-end trips of these officers to their homes at Government expense. They also point out the interesting fact that Boston, Mass., is one of the busy centers of savings and loan activity. And so the Federal Home Loan Bank Board is in collusion with the officers of these agencies of the Government by approving their use of Government funds for week-end trips home. They approve the whole thing with the unique explanation that "contacts are made on week ends" and that it so happens that where the officers' homes are located are "busy centers of savings and loan activity." What nonsense!

I have no doubt but that the foregoing is a mere example of the kind of thing that is taking place in other particulars in connection with the Federal Savings & Loan Insurance Corporation, the H. O. L. C., and the Federal Home Loan Bank Board. An investigation will show some very startling facts.

Apparently, Mr. Fallon, Dr. Hoagland, Mr. Webb, and these other officials connected with the Federal Deposit Insurance Corporation have overlooked the fact that there is a provision of law, placed on the statute books by Congress, which makes it a criminal offense to misapply the Corporation funds. I call attention to section 512 (c) of the act of June 27, 1934, which reads in part as follows:

(c) Whoever, being connected in any capacity with the Federal Housing Administration or the Federal Savings and Loan Insurance Corporation (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to the Administration or the Corporation or pledged, or otherwise entrusted to the Administration or the Corporation, or (2) with intent to defraud the Administration or the Corporation or any other body, politic, or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Administration or the Corporation, make any false entry in any book, report, or statement of or to the Administration or the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than 5 years, or both.

The question probably arises in the minds of a number of Members as to how these things can take place. The answer lies in the fact that in setting up the Federal Savings & Loan Insurance Corporation and the Home Owners' Loan Corporation the Congress granted them special latitude in the expenditure of public moneys and the accounting therefor. They were granted greater freedom in the use of public moneys than is contemplated by the general law or enjoyed by the departments and establishments of the Government generally.

The act of June 13, 1933, which authorized the Federal Home Loan Bank Board to establish the H. O. L. C., states in section 4 (j):

The Corporation * * * shall determine its necessary expenditures under this act and the manner in which they shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds * * *.

The act of May 28, 1935, of the Federal Savings & Loan Insurance Corporation, states in section 22:

The Corporation * * * shall determine its necessary expenditures under the act and the manner in which the same shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditures of public funds.

This particular section was not in the original act of June 27, 1934, but rather was an amendment obtained at the instigation of the Federal Home Loan Bank Board who did not wish to have its expenditures checked by the Comptroller General.

Secondly, I here and now charge the Federal Home Loan Bank Board, officers of the Home Owners' Loan Corporation and of the Federal Savings & Loan Insurance Corporation, with deliberate efforts to avoid any complete accounting of their funds. I charge that Board with refusal to comply with the intent and purpose of Executive Order No. 6549, dated January 3, 1934, providing for the audit by the Comptroller General of the United States. That order reads as follows:

By virtue of the authority vested in me as President of the United States, it is hereby ordered and directed that accounts of all receipts and expenditures by governmental agencies, including corporations, created after March 3, 1933, the accounting procedure for which is not otherwise prescribed by law, shall be rendered to the General Accounting Office in such manner, to such extent, and at such times as the Comptroller General of the United States may prescribe, for settlement and adjustment pursuant to title III of the act of June 10, 1921.

Since that order was issued by the President the General Accounting Office has endeavored to secure a complete accounting for all funds, but with little or no success. How the Home Owners' Loan Corporation has resisted such an accounting will be found on pages 25 to 27 of the Report of the Acting Comptroller General for the fiscal year 1937. How the Federal Savings & Loan Insurance Corporation, also under the Federal Home Loan Bank Board, has resisted such an accounting will be found on page 29 of that same report. I suggest that every Member of Congress carefully examine that report.

Mr. Speaker, I have asked unanimous consent to have inserted in the RECORD at this point a letter addressed to me under date of May 29, 1939, by Hon. Fred H. Brown, Comptroller General of the United States, in which he outlines the situation.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 29, 1939.

Hon. RALPH E. CHURCH, M. C.,
House of Representatives.

MY DEAR MR. CHURCH: In reply to request in your letter of May 11, 1939, for the latest audit of the books and affairs of the Home Owners' Loan Corporation and the Federal Savings & Loan Insurance Corporation, there are transmitted herewith copies of correspondence and other data from the files of this office, which it is believed will furnish you the information you desire.

The acts under which the Home Owners' Loan Corporation and the Federal Savings & Loan Corporation were created carried no specific provision therein for the rendition of accounts to the General Accounting Office nor for the audit of the financial transactions of the corporations by this office. However, Executive Order No. 6549, dated January 3, 1934, provided as follows:

"By virtue of the authority vested in me as President of the United States, it is hereby ordered and directed that accounts of all receipts and expenditures by governmental agencies, including corporations, created after March 3, 1933, the accounting procedure for which is not otherwise prescribed by law, shall be rendered to the General Accounting Office in such manner, to such extent, and at such times as the Comptroller General of the United States may prescribe, for settlement and adjustment pursuant to title III of the act of June 10, 1921, 42 Stat. 23."

Pursuant to the provisions thereof this office endeavored to have the accounts of the Corporations rendered here for audit and to secure a complete accounting for all funds of the Corporations, which are wholly owned and controlled by the United States.

Reference to the annual report of the Acting Comptroller General for the fiscal year 1937 (copy herewith) will disclose a full statement as to the failure to render accounts by certain agencies and corporations of the Government, with particular reference to the Home Owners' Loan Corporation and the Federal Savings & Loan Insurance Corporation. (See pp. 16, 17, 20, 21, 25–29, inclusive.) Quoted in part therein are excerpts from correspondence had between this office and the corporations here involved.

As evidenced by the numerous letters between this office and the corporations, all efforts to secure the rendition of accounts to this office were of no avail under the then existing law, and therefore no audits have been made of the accounts of the two corporations prior to July 1, 1938. It was not until the passage of the Independent Offices Appropriation Act, 1939, that accounts covering the administrative expenses of the corporations were rendered to this office. Section 4 of the said act provides as follows:

"None of the funds made available by this act for administrative expenses of the agencies under the caption 'emergency agencies' shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the terms and provisions of the Budget and Accounting Act of 1921, as amended."

Such section has for its purpose to require an audit of the administrative expenses (only) of certain emergency agencies for which appropriations are provided in such act. It is desired to point out in such connection that an audit of a part of the transactions of an agency is ineffective and practically without merit unless some degree of audit control is provided for the remainder of the transactions of such agency. Using as an example an agency to which the provisions, supra, apply, in many instances there is very little distinction between "administrative expenditures" and "nonadministrative expenditures," with the result that, if the agency so desires, expenditures may be switched from the administrative to the nonadministrative category, either to prevent audit by this office or to conserve funds limited in amount for administrative purposes, and this office would be without means of detecting the practice without having access to expenditures under both classes. While it is not claimed that such action has been resorted to by any of the agencies to which section 4, supra, applies, it can readily be seen that such is possible.

Under date of September 7, 1938, representatives of this office made an examination of the accounts and records of Mr. John Byrns, treasurer, Federal Savings & Loan Insurance Corporation, photostatic copy of which is attached hereto for your information, together with copies of correspondence had with officials of the Corporation in regard to certain matters reported therein.

It is hoped that the information furnished herewith fully meets your needs; and if there is required any further data, this office will be pleased to furnish the same upon request.

Sincerely yours,

FRED H. BROWN,
Comptroller General of the United States.

I wish especially to call the attention of this House to the following important statement in that letter:

As evidenced by the numerous letters between this office and the Corporations, all efforts to secure the rendition of accounts to this office were of no avail under the then-existing law and therefore no audits have been made of the accounts of the two Corporations (referring to Home Owners' Loan Corporation and Federal Savings and Loan Insurance Corporation) prior to July 1, 1938.

The time has come when we who represent the people must have some accounting of the extensive operations of the Federal Home Loan Bank Board handling literally billions of dollars of public money. The time has come for a complete audit and a thorough investigation of the illegal activities it and the Corporation officers have been engaging in. Many Members of the House have spoken to me urging an audit and a thorough investigation. They have indicated an interest in seeing that this House pass an appropriate resolution for that purpose.

Mr. Speaker, I wish to point out another example of just what is taking place in this particular establishment. In the course of my investigation it came to my attention that Mr. Charles A. Jones, General Manager of the Home Owners' Loan Corporation, deliberately conducted a campaign at Government expense in opposition to a bill affecting the H. O. L. C. pending in Congress. This matter should be of special interest to Members of Congress who are interested in helping those people who have their homes mortgaged with the H. O. L. C.

In 1937 there was pending in Congress a bill introduced by Congressman Ellenbogen, of Pennsylvania. It was listed as H. R. 6092 and in substance sought to lower the rate of interest on loans made by the H. O. L. C. In order to cause pressure to be brought to bear on Members of Congress, Mr. Charles A. Jones, General Manager of the H. O. L. C., at Government expense, telephoned, long distance, the various regional offices located throughout the United States, instructing them to call the State offices within their jurisdiction and to instruct the State managers to instruct all district managers to contact all local newspapers to get a statement of Mr. Jones a prominent place in every newspaper. I have in my hand a copy of this statement prepared by Mr. Jones. It was sent out under the frank, setting forth reasons why the Ellenbogen bill should not be enacted into law.

Mr. Speaker, by the sending out of this statement under the frank and by long-distance-telephone calls to urge getting it in the press at Government expense, I here publicly charge Mr. Charles A. Jones, General Manager of the H. O. L. C., with violating section 201 of title 18 of the Federal Code, which provides in substance that no money appropriated by any act shall be used directly or indirectly to influence in any manner any Member of Congress on legislation. That provision not only subjects the offending officer with removal, but also subjects him to a fine of not more than $500 or imprisonment of not more than a year.

Mr. BYRNS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. I yield to the distinguished gentleman from Tennessee [Mr. BYRNS] if he will be brief.

Mr. BYRNS of Tennessee. I would like to say to the gentleman from Illinois that I am familiar with the situation about which he is speaking. From July 1933 until the latter part of May 1939 I was general counsel in Tennessee for the H. O. L. C. I know of my own knowledge that Mr. Jones did make these telephone calls, just as the gentleman has said, and I have seen the statement and I am wondering if the statement to which the gentleman is referring is the 4-page statement prepared by Mr. Jones and sent out under frank, which ends up with seven conclusions by Mr. Jones as to why he thinks this would be a bad bill. Is that the statement to which the gentleman has been referring?

Mr. CHURCH. It is the statement. I have it here for all to see. This is a 4-page memorandum which was prepared and sent out by Charles A. Jones, General Manager of the H. O. L. C., October 23, 1937, and it does end up on page 4, where he states, after he had stated many other things, "An analysis of the situation then leads to these conclusions." I shall not read all of those conclusions——

Mr. BYRNS of Tennessee. They are not worth it.

Mr. CHURCH. The No. 2 conclusion of Mr. Jones states:

The proposed changes would result in heavy losses, which the taxpayers would ultimately have to pay.

May I say to the distinguished gentleman from Tennessee [Mr. BYRNS] and to the House, and to Mr. Jones, in view of this No. 2 conclusion, that his numerous illegal long-distance telephone calls are a violation of the penal statute I have cited, and the peculations of his friend Fallon in 1935–6–7 and through '38, and even yet, I suppose, are heavy losses, and I am quoting from his conclusion No. 2, "which the taxpayers would ultimately have to pay."

Then he says in the other conclusions, Nos. 4 and 5, that the "H. O. L. C. collections are continually improving," and in his conclusion No. 5 "the H. O. L. C. must be permitted to build up reserves to meet losses." I would say to the gentleman and to Mr. Jones that apparently the collections of Mr. Fallon "are continually improving" in permitting him "to build up" his private "reserves."

Mr. BYRNS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. Yes; briefly.

Mr. BYRNS of Tennessee. At the time of this violation of the law I brought it to the attention of my superiors of the Home Owners' Loan Corporation, and urged that some action be taken against Mr. Jones, citing the statute. I was told at the time that it was none of my business, and I am glad to see that the Congress of the United States is making it its business.

Mr. SCHAFER of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. Yes; I yield to the distinguished gentleman from Wisconsin briefly.

Mr. SCHAFER of Wisconsin. In view of the fact that the Attorney General of the United States, Mr. Murphy, is traveling about the country complaining about the excessive number of employees on the Federal pay roll, I suggest that the gentleman from Illinois send Mr. Murphy a copy of the fine speech he made today and ask Mr. Murphy to present the cases of these embezzlers to the grand jury, and remove them from the public pay roll. If Mr. Murphy would put these fellows in the penitentiary, where they belong it would help reduce the number of Federal employees. Mr.

Murphy now has an opportunity to act to reduce the number of Federal employees as well as talk about the necessity of doing so.

Mr. CHURCH. I assume that this whole subject will come to the attention of the Attorney General, but I am also interested in its coming to the attention of the distinguished members of the Banking Committee of the House, in order that these matters may be corrected.

Mr. SCHAFER of Wisconsin. But this is a matter of embezzlement of public funds, according to the gentleman's statement. It should be presented to a grand jury and the thieves should be put behind the walls of a penitentiary instead of continuing to draw handsome salaries from the taxpayers' Treasury which they have robbed. The Attorney General should put them in the penitentiary and remove them from the Government pay roll. Now is the time to have less talk and more action.

Mr. KEOGH. Mr. Speaker, will the gentleman yield?

Mr. CHURCH. I yield to my friend the distinguished gentleman from New York.

Mr. KEOGH. Let me ask the gentleman this: If I should tell the gentleman that I have introduced a resolution looking toward a study of the question of transferring the holdings of the Home Owners' Loan Corporation to private banks and institutions, and an extension of the Federal Housing Administration insurance, that is of the mortgages, and if I were to ask the gentleman to assume that by doing that the Home Owners' Loan mortgagors would obtain a lower rate of interest, would the gentleman support such a resolution, and would he be desirous of aiding those mortgagors in obtaining their loans at lower rates of interest?

Mr. CHURCH. I think the gentleman's suggestion is commendable, and I think he should take that up with the Banking and Currency Committee of the House.

Mr. KEOGH. Does not the gentleman think that our time would more properly be taken up with what we can do for all those mortgagors than by raising questions that might be the subject of separate study?

Mr. CHURCH. I appreciate the gentleman's contribution. All of these questions should be considered by the Committee on Banking and Currency, but Mr. Speaker, I must hurry on, so I cannot yield further.

Mr. Speaker, in speaking of the actions of Mr. Jones, general manager of the H. O. L. C., I might suggest that the sale to the Federal Home Loan Bank Board of the building here in Washington, formerly owned by the Acacia Life Insurance Co., at a price of $1,060,000 would bear investigating. It has been brought to my attention that the negotiations for the sale were carried on by the General Manager of the H. O. L. C., and that he also acted at the same time in his former capacity as real-estate agent in the District of Columbia.

Unquestionably, Mr. Speaker, the Federal Home Loan Bank Board and the officers of the corporations under its control are literally running wild. It is all a mess. I am especially interested in bringing this to the attention of the members of the Committee on Banking and Currency, who have jurisdiction over all legislation affecting these establishments. I sincerely hope they will assume the initiative and bring in an appropriate resolution whereby their committee or a subcommittee of it may make a complete audit of the Board's operations, as well as that of the H. O. L. C. and the Federal Savings & Loan Insurance Corporation; also a complete investigation of the illegal expenditures of public moneys that have already taken place. [Applause.]

The SPEAKER pro tempore. Under special order of the House, the gentleman from Wisconsin [Mr. GRISWOLD] is recognized for 20 minutes.

THE FARMER AND PARITY PAYMENTS

Mr. GRISWOLD. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein excerpts from two or three letters on agricultural matters.

The SPEAKER pro tempore (Mr. RAYBURN). Without objection, it is so ordered.

There was no objection.

Mr. GRISWOLD. Mr. Speaker, we have been experiencing, for the last 6 years, a new and far different agricultural program than this Nation has ever known before. After 6 years, certainly sufficient time has elapsed so that the wisdom or folly of the program can be determined. I want to speak of some of the effects of this program and particularly its effects upon the great dairy section of the United States, of which my State is a part.

The agricultural program was started under the so-called Triple A, and later under parity payments and soil subsidy payments. Billions of dollars have been spent under this program. It will probably be interesting to the Members of this House and the public in general to know what section of the United States received the great bulk of the payments, and the effect upon the people and the crops the payments were supposed to benefit.

Mr. Speaker, I wish to insert in the RECORD at this point a table of farm subsidy payments.

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

There was no objection.

The table is as follows:

Total farm value—total subsidy payments—percentage of subsidy payments to total farm value

State	Total farm value [1]	Total subsidy payments, years 1933-38 [2]	Percentage of subsidy payments to total farm value [3]
Alabama	$368,000,000	$72,751,409	19
Arizona	133,000,000	7,108,667	5
Arkansas	376,000,000	79,613,675	21
California	2,325,000,000	35,612,497	1
Colorado	419,000,000	33,877,177	8
Connecticut	284,000,000	2,668,913	1
Delaware	51,000,000	1,580,880	3
Florida	321,000,000	7,775,989	2
Georgia	430,000,000	74,927,471	17
Idaho	307,000,000	22,575,084	7
Illinois	2,206,000,000	103,934,352	4
Indiana	1,040,000,000	65,436,424	6
Iowa	2,462,000,000	178,338,535	7
Kansas	1,479,000,000	159,253,517	10
Kentucky	620,000,000	48,243,918	7
Louisiana	296,000,000	63,221,838	21
Maine	143,000,000	2,661,321	1
Maryland	243,000,000	7,077,590	2
Massachusetts	256,000,000	2,482,649	9/10
Michigan	826,000,000	27,171,795	3
Minnesota	1,382,000,000	75,701,661	5
Mississippi	371,000,000	85,209,765	22
Missouri	1,099,000,000	81,820,838	7
Montana	376,000,000	41,279,603	10
Nebraska	1,563,000,000	110,640,138	7
Nevada	43,000,000	523,090	1
New Hampshire	67,000,000	461,749	9/10
New Jersey	234,000,000	2,194,731	9/10
New Mexico	170,000,000	11,742,479	6
New York	1,045,000,000	9,477,423	9/10
North Carolina	623,000,000	67,619,824	10
North Dakota	797,000,000	88,844,563	11
Ohio	1,278,000,000	54,407,003	4
Oklahoma	784,000,000	107,552,070	13
Oregon	449,000,000	15,811,455	3
Pennsylvania	862,000,000	11,731,619	1
Rhode Island	35,000,000	74,860	2/10
South Carolina	285,000,000	52,248,553	18
South Dakota	692,000,000	76,884,950	11
Tennessee	556,000,000	46,632,995	8
Texas	2,574,000,000	285,250,457	11
Utah	158,000,000	8,119,065	5
Vermont	116,000,000	1,299,423	1
Virginia	594,000,000	16,371,513	2
Washington	551,000,000	26,381,890	4
West Virginia	238,000,000	3,227,200	1
Wisconsin	1,247,000,000	40,365,778	3
Wyoming	167,000,000	8,479,974	5

[1] From U. S. Department of Agriculture Bulletin No. 18.
[2] From U. S. Department of Agriculture, Secretary of Agriculture.
[3] All percentages carried only 2 places.

Mr. GRISWOLD. The first column of the table shows the total farm value in each State. The second column shows the total subsidy payments from the beginning of this program in 1933 up to the close of 1938. The States greatly vary in size and in amount of agricultural land, and the fairest way I know to determine the equality of payments among the several States is in proportion to their total farm value. The

third column of figures represents the percent subsidy payments bear to total farm value.

WHO GETS THE PARITY PAYMENTS

Of the billions of dollars appropriated for agriculture, cotton and the cotton crops alone have received practically $1,000,000,000. Parity payments for cotton acreage are no doubt largely responsible for the great variation in agricultural aid between different States. The State of Mississippi received 22 percent of her total farm value in subsidies. In other words, the Mississippi farmers received as a gift from the Government almost one-fourth of the value of their entire farm. Louisiana received 21 percent, Arkansas 21 percent, Alabama 19 percent, Georgia 17 percent, and other cotton States very large amounts.

In order to make clear both to the Members of this House and the farmers in my State how great the subsidy payments have been I wish to quote from a Georgia county agent as placed in the CONGRESSIONAL RECORD on page 6993 by Senator GEORGE:

DEAR FARMERS OF PERRY COUNTY: We will begin delivering 1938 agricultural conservation checks Friday of this week. Since 1933 farmers in Perry County have received $1,532,780 in A. A. A. benefit payments. You will receive $254,000 this year as cotton-reduction and soil-building payment and approximately $200,000 as a parity payment. The total amount of money received from the Federal Government in benefit payments during the 6 years of A. A. A. amounts to the gross return for the total cotton production in Perry County for the last 3 years.

This statement shows, and this county only happens to be mentioned, and no doubt other counties can show much greater payments, that the cotton farmer received from the Government each year in subsidy payments a sum equal to one-half the gross return for his total cotton production. I am wondering what the farmers in my State or other dairy States would think if the Federal Government would give them a sum equal to one-half their monthly cream check over a period of 6 years. I believe these figures make it very plain to everyone the tremendous amount of subsidy that has been granted certain sections of the United States. Now, what about the farmers in the States who refused to sell their independence for subsidy payments? What did they get in comparison with the 17 to 22 percent certain States received? My State, Wisconsin, got 3 percent. Nine northern dairy States got 1 percent or less. In other words, the great dairy States are good States when it comes to paying taxes, but when it comes to agricultural benefits they get no aid.

THE RUIN OF THE COTTON INDUSTRY

When the program for the cotton farmer was laid out and money spent on it in lavish amounts it would seem great prosperity should result. The cotton farmer sold himself for parity payments and agreed to follow the dictates of an agricultural program that was given him.

I now wish to discuss the effects of the program on the cotton farmer and the great cotton industry that he represents. In this connection, Mr. Speaker, I wish to insert in the RECORD a portion of a letter, dated June 6, 1939, from J. E. McDonald, commissioner of Agriculture of the State of Texas. I quote, as follows:

MY DEAR CONGRESSMAN: As elected representative of the cotton farmers of Texas who produce nearly one-third of the Nation's cotton, I earnestly and respectfully urge that you pronouncedly and actively oppose the proposal to use the taxpayers' money to subsidize cotton exports.

Using public funds as bonus to foreigners for buying our American cotton at the present ridiculously low price, which is under cost of production and far below parity, cannot be justified. If any subsidy or bonus is to be paid they should be paid to Americans and not foreigners.

During the past 6 years Congress has followed Secretary Wallace's cotton suggestions with the result that today the cotton industry of America is in a hell of a fix. Secretary Wallace may be ever so honest and sincere but he has thoroughly demonstrated his inability in solving the cotton problem, and the public should and will condemn any Congressman who will further follow an official whose ideas have proven so impractical and destructive to one of America's greatest agricultural industries.

With cotton exports the smallest since 1884 and with nearly 12,000,000 bales of cotton frozen under Government loans, it is time to stop dilly-dallying about and get on something constructive.

With the administration of the present A. A. A. program, which is unsound and impractical, cotton farmers are being forced to compete with farmers growing other crops which surely will bring on more confusion and demoralization in general agriculture.

Wallace's proposed export subsidy would antagonize foreign cotton producers and result in reprisals which would be disastrous for the American farmer.

While Mr. McDonald is the commissioner of agriculture for the State of Texas, I do not wish to show the conditions of the cotton industry by the testimony of one man, and I now wish to include in the RECORD a portion of a letter dated June 13, 1939, from Mr. Ralph M. Moore, master, Texas State Grange, and I quote as follows:

If the American farmer continues to be used by Secretary Wallace as an experiment, we will soon be forced to quit raising cotton and enter into other lines of agriculture, which are now overcrowded.

No program will ever be successful that does not embody the principles of the American market for the American farmer at an American price; tariff for all or tariff for none.

This testimony, I think, should make clear to everyone, that the agricultural program as bought and paid for by the subsidy payments has brought ruin to the industry it was supposed to benefit. I have selected cotton and have made this case showing the effect of the present policy upon this one branch of agriculture. Corn, wheat, rice, and tobacco have been under the same program though to a much less extent. I believe every farm crop for which a program has been laid out and purchased with parity payments is worse off than it was before.

THE DAIRY INDUSTRY

The dairy industry and the farmers in my State, when they discovered the great amount of money being handed out under parity payments, have wondered if they too should not surrender to the agricultural administration and accept the payments that might be given them. The trade treaties entered into by the administration which allowed cattle, cheese, and other products to enter this country at greatly reduced rates have depressed the price of dairy products. In despair, the farmers in my State have been sorely tempted to ask for parity payments. Some of them feared that perhaps a mistake was made when the agricultural program first came out and Wisconsin did not choose to accept it. If the Wisconsin dairy farmer had entered the program, there is no reason to believe that he would have fared any better than the cotton farmer who did enter the program.

He would have received substantial subsidy payments, but he would have seen the great dairy industry he represents destroyed. Parity payments and control production have been a tremendous and costly failure. This Congress may or may not grant a few additional millions for crop-subsidy payments. Even if they do it will probably be the last crop-parity payment. Those who have enjoyed the greatest payments are beginning to see the folly and ruin of the whole program and are turning against it. We are witnessing the dying struggle of one of the most foolish and costly programs ever inflicted upon the farmers of any nation.

The dairy farmers of Wisconsin did not ask for parity payments, but they do protest against the present program whose failure has forced other sections into the dairy industry. They feel, and I believe rightly so, that the administration should take care of the surplus its own policy has created.

The dairy industry built up and made a place in the American market for their product and resent its being taken away from them by the low tariff of the trade treaties.

I have protested at various times, on the floor of this House, against the lowering of duties on dairy products. The dairy industry cannot stand world competition and survive. The dairy farmer is being ruined under the present trade program. I have discussed, in times past on this floor, the trade treaties in detail. I want now to call attention to just a few items as shown in the April report of foreign-trade statistics. Cattle importations in the first 4 months of this year are 400,967 head. During the month of April just past 125,614 head of cattle were imported. The Union Stock Yards at Chicago, the greatest cattle market in the

world, sold during April 123,240 head. In other words, we are importing more cattle than the total sales in the Chicago yards. During the first 4 months of this year we imported 21,836,213 pounds of canned beef and 16,312,116 pounds of hams, shoulders, and bacon.

How long can such importations continue before they ruin the farmers' livestock market?

During the first 4 months of this year under the new low tariff on eggs 123,244 dozen fresh eggs were imported. Must the poultry industry, the industry that buys the groceries, the industry of the farm wife, also be destroyed?

Barley malt in the first 4 months of this year was imported to the extent of 31,338,627 pounds. What will the farmers in the great barley producing States say to the loss of this market?

I would like to discuss many more farm products, but I realize my time is too limited. We have been told to have patience, that the trade-treaty program would help agricultural exports. I want to read to you from the May 25 release of the Department of Commerce:

The value of agricultural exports at $37,636,000 in April, was 31 percent below the preceding month and 43 percent under the corresponding month of 1938. The chief agricultural exports—cotton, tobacco, and grain—decreased by $7,800,000, $5,700,000, and $2,500,000, respectively, as compared with the preceding months' figures, and by $11,000,000, $1,400,000, and $15,600,000, as compared with the totals in April 1938.

I believe the farmers of this Nation will soon realize the ruination the policies of this administration has brought them. The American farmer is entitled to the American market. No agricultural program can succeed that does not consider this fundamental.

CALENDAR WEDNESDAY BUSINESS

Mr. COSTELLO. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday may be dispensed with.

The SPEAKER pro tempore. Is there objection?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. DUNN, for 2 days, on account of important business.

To Mr. NORRELL, for 1 week (at the request of Mr. KITCHENS), on account of important business.

ADJOURNMENT

Mr. COSTELLO. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 50 minutes p. m.) the House adjourned until tomorrow, Tuesday, June 20, 1939, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON THE JUDICIARY

On Wednesday, June 21, 1939, beginning at 10 a. m., there will be continued 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 continued a public hearing before Subcommittee No. 3 of the Committee on the Judiciary on Wednesday, June 21, 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 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 20, 1939, on H. R. 4307 (committee print), to extend the provisions of the Shipping Act, 1916, and the Intercoastal Shipping Act, 1933, to all common carriers by water in interstate commerce, and for other purposes.

There will be a meeting of the Committee on Merchant Marine and Fisheries at 10 a. m., Tuesday, June 27, 1939, for the consideration of H. R. 6572, relating to marine war-risk insurance.

COMMITTEE ON FOREIGN AFFAIRS

There will be a meeting of the Committee on Foreign Affairs in the committee rooms, the Capitol, on Tuesday, June 20, 1939, at 10 a. m., for the consideration of S. 326, for the payment of awards and appraisals heretofore made in favor of citizens of the United States on claims presented under the General Claims Convention of September 8, 1923, United States and Mexico.

COMMITTEE ON INDIAN AFFAIRS

There will be a special meeting of the Committee on Indian Affairs on Tuesday, June 20, 1939, at 10 a. m., to hold hearings on H. R. 2775, a bill authorizing the Arapahoe and Cheyenne Indians to submit claims to the Court of Claims, and for other purposes.

There will be a meeting of the Committee on Indian Affairs on Wednesday next, June 21, 1939, at 10:30 a. m., for the consideration of H. R. 909, H. R. 953, H. R. 2738, H. R. 4831, H. R. 6506, and S. 72.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

There will be a meeting of the Committee on Public Buildings and Grounds at 10 a. m., Wednesday, June 21, 1939, for the consideration of H. R. 6830.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be an executive hearing of the Committee on Immigration and Naturalization on Wednesday, June 21, 1939, at 10:30 a. m. for the the consideration of unfinished business.

COMMITTEE ON PATENTS

The Committee on Patents of the House of Representatives will hold a meeting Thursday, June 22, 1939, at 10 a. m. in the caucus room, House Office Building, to consider the following bills: H. R. 6721, classification of patents; H. R. 6618, trade-marks; H. R. 6877, Navy Department, secrecy of inventions; H. R. 6872, H. R. 6873, H. R. 6874, H. R. 6875, H. R. 6878, changes in patent laws.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

There will be a meeting of the miscellaneous railroad subcommittee of the Committee on Interstate and Foreign Commerce at 11 a. m., Tuesday, June 20, 1939. Business to be considered: Continuation of hearing on H. R. 6371, passenger transit bill.

EXECUTIVE COMMUNICATIONS, ETC.

877. Under clause 2 of rule XXIV a letter from the legislative representative, Veterans of Foreign Wars, transmitting the proceedings of the Thirty-ninth National Encampment of the Veterans of Foreign Wars of the United States, held at Columbus, Ohio, August 21–26, 1938 (H. Doc. No. 39), was taken from the Speaker's table, referred to the Committee on Military Affairs, and ordered to be printed, with illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. BLOOM: Committee on Foreign Affairs. House Joint Resolution 306. Joint resolution, Neutrality Act of 1939; with amendment (Rept. No. 856). Referred to the Committee of the Whole House on the state of the Union.

Mr. KEE: Committee on Foreign Affairs. House Joint Resolution 315. Joint resolution to provide for the adjudication by a Commissioner of Claims of American nationals against the Government of the Union of Soviet Socialist Republics; without amendment (Rept. No. 865). Referred to the Committee of the Whole House on the state of the Union.

Mr. DEROUEN: Committee on the Public Lands. H. R. 1675. A bill to establish a national land policy, and to provide homesteads free of debt for actual farm families; without amendment (Rept. No. 866). 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 Invalid Pensions. H. R. 6897. A bill granting pensions to certain widows of veterans of the Civil War; without amendment (Rept. No. 857). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6898. A bill granting pensions and increases of pensions to certain helpless and dependent children of veterans of the Civil War; without amendment (Rept. No. 858). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6899. A bill granting pensions to certain veterans of the Civil War; without amendment (Rept. No. 859). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6900. A bill granting pensions to certain former widows of veterans of the Civil War; without amendment (Rept. No. 860). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6901. A bill granting increase of pensions to certain widows of veterans of the Civil War; without amendment (Rept. No. 861). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 6902. A bill granting increase of pensions to certain former widows of veterans of the Civil War; without amendment (Rept. No. 862). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 474. A bill granting an increase of pension to Grizelda Hull Hobson; without amendment (Rept. No. 863). Referred to the Committee of the Whole House.

Mr. LESINSKI: Committee on Invalid Pensions. H. R. 4574. A bill granting an increase of pension to Adelaide Westover; without amendment (Rept. No. 864). Referred to the Committee of the Whole House.

Mrs. O'DAY: Committee on Immigration and Naturalization. H. R. 4249. A bill for the relief of Stephen Kelen; without amendment (Rept. No. 868). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. RANKIN:

H. R. 6903. A bill to provide for allowance of expenses incurred by Veterans' Administration beneficiaries and their attendants in authorized travel for examination and treatment; to the Committee on World War Veterans' Legislation.

By Mr. TAYLOR of Tennessee:

H. R. 6904. A bill to confer jurisdiction on the Court of Claims to hear, determine, and enter judgment upon the claims of Government contractors whose costs of performance were increased as a result of enactment of the National Industrial Recovery Act, June 16, 1933; to the Committee on Claims.

By Mr. PIERCE of Oregon:

H. R. 6905. A bill to prohibit the use of the mails for the taking of a straw vote; to the Committee on the Post Office and Post Roads.

By Mr. WALLGREN:

H. R. 6906. A bill to amend the Tariff Act of 1930; to the Committee on Ways and Means.

By Mr. FLANNERY:

H. R. 6907. A bill granting the consent of Congress to the Commonwealth of Pennsylvania to reconstruct, maintain, and operate a free highway bridge across the Susquehanna River, from the borough of Wyoming, in the county of Luzerne, Commonwealth of Pennsylvania, to Jenkins Township, county of Luzerne, Commonwealth of Pennsylvania; to the Committee on Interstate and Foreign Commerce.

By Mr. CANNON of Florida:

H. R. 6908. A bill conferring jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claims of all persons who have claims for damages or losses resulting from the construction, further development, and improvement of the intracoastal waterway, Miami to Jacksonville, Fla., and for other purposes; to the Committee on Claims.

By Mr. LESINSKI:

H. R. 6909 (by request). A bill to amend Public Law No. 190 of the Sixty-sixth Congress; to the Committee on Invalid Pensions.

By Mr. GEHRMANN:

H. R. 6910. A bill to enable the Secretary of Agriculture more effectively to assist in the voluntary adjustment of indebtedness between farm debtors and their creditors; to provide for the transfer of certain mortgages and foreclosed farm property from the Federal land banks to the Federal Farm Mortgage Corporation, and the refinancing thereof; and for other purposes; to the Committee on Agriculture.

By Mr. GARRETT:

H. R. 6911. A bill to extend eligibility for disabled emergency officers' retirement benefits to those disabled emergency officers of the World War otherwise entitled thereto who failed to file application therefor within the time provided for in Public Law No. 506, approved May 24, 1928, Seventieth Congress; to the Committee on World War Veterans' Legislation.

By Mr. SHAFER of Michigan:

H. R. 6912. A bill to provide an allowance to civilian officers and employees of the United States permanently transferred to a new post of duty equal to the cost of transporting their family and personal goods to such new post; to the Committee on Expenditures in the Executive Departments.

By Mr. STEAGALL:

H. R. 6913. A bill to extend the period during which direct obligations of the United States may be used as collateral security for Federal Reserve notes; to the Committee on Banking and Currency.

By Mr. ANGELL:

H. R. 6920. A bill to authorize the withdrawal of national-forest lands for the protection of watersheds from which water is obtained for municipalities, and for other purposes; to the Committee on Agriculture.

By Mr. HARTER of Ohio:

H. R. 6921. A bill to waive the age limit for appointment as second lieutenant, Regular Army, of certain persons now on active duty with the Air Corps; to the Committee on Military Affairs.

By Mr. BATES of Kentucky:

H. R. 6922. A bill to create a Milk Control Board for the District of Columbia, and for other purposes; to the Committee on the District of Columbia.

By Mr. WALTER:

H. R. 6923. A bill to protect employees in their right to vote at national elections; to the Committee on the Judiciary.

By Mr. THORKELSON:

H. J. Res. 331. Joint resolution proposing an amendment to the Constitution of the United States repealing the seventeenth amendment; to the Committee on Election of President, Vice President, and Representatives in Congress.

By Mr. BLAND:

H. Res. 224. Resolution for the consideration of H. R. 6746; to the Committee on Rules.

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 Assembly

Joint Resolution No. 35, relative to additional Federal aid to dependent children; 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. LESINSKI:

H. R. 6897. A bill granting pensions to certain widows of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6898. A bill granting pensions and increase of pensions to certain helpless and dependent children of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6899. A bill granting pensions to certain veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6900. A bill granting pensions to certain former widows of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6901. A bill granting increase of pensions to certain widows of veterans of the Civil War; to the Committee on Invalid Pensions.

H. R. 6902. A bill granting increase of pensions to certain former widows of veterans of the Civil War; to the Committee on Invalid Pensions.

By Mr. H. CARL ANDERSEN:

H. R. 6914. A bill granting an increase of pension to Sarah K. Carter; to the Committee on Invalid Pensions.

By Mr. DEMPSEY:

H. R. 6915. A bill for the relief of Mr. and Mrs. John W. Finley; to the Committee on Claims.

By Mr. FLANNERY:

H. R. 6916. A bill for the relief of Leroy Lester Weidow; to the Committee on Naval Affairs.

H. R. 6917. A bill for the relief of Soter L. Johnson; to the Committee on Military Affairs.

By Mr. McKEOUGH:

H. R. 6918. A bill for the relief of Maude Sykes; to the Committee on Claims.

By Mr. TAYLOR of Tennessee:

H. R. 6919. A bill for the relief of R. E. Rule; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3855. By Mr. ANGELL: Petition of Helene Murphy, Portland, Oreg., and 14 others, asking for the enactment of House bill 5620; to the Committee on Ways and Means.

3856. By Mr. HAVENNER: Petition of the United Federal Workers of America, urging Congress to enact House bill 960, Congressman Ramspeck's bill to extend the classified executive civil service of the United States; to the Committee on the Civil Service.

3857. By Mr. KEOGH: Petition of Frederick I. Daniels, general secretary, Brooklyn Bureau of Charities, Brooklyn, N. Y., favoring the passage of House bill 5763; to the Committee on Banking and Currency.

3858. Also, petition of the American Planning and Civic Association, Washington, D. C., concerning the Gearhart bill (H. R. 3794); to the Committee on the Public Lands.

3859. Also, petition of the Plazine Oil Co., Inc., New York City, concerning the Connally bill (S. 1302); to the Committee on Interstate and Foreign Commerce.

3860. Also, petition of the Jewish Social Service Association, Inc., New York City, concerning the new Wagner bill; to the Committee on Labor.

3861. Also, petition of the New York State Bankers Association, New York City, concerning the Postal Savings System, the Federal Budget, Office of the Comptroller of the Currency, Federal savings and loan associations, and the silver-purchase program; to the Committee on Banking and Currency.

3862. Also, petition of the New York State Society of Professional Engineers, Inc., New York City, concerning the Mead bill (S. 2063) and the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3863. Also, petition of the Central Federation of Labor, Albany, N. Y., favoring the passage of the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3864. By Mr. MICHAEL J. KENNEDY: Petition of the New York State Bankers Association, urging the desirability of limiting the Postal Savings System to those communities lacking adequate banking facilities; also favoring the repeal of the Silver Purchase Act; to the Committee on Banking and Currency.

3865. Also, petition of the United Shoe Workers of America, Joint Council No. 13, urging support of the Casey bill; to the Committee on Appropriations.

3866. Also, petition of the Jewish Social Service Association, Inc., favoring the Wagner bill, which would amend the United States Housing Act of 1937, to authorize an additional $800,000,000 for loans; to the Committee on Labor.

3867. Also, petition of the International Brotherhood of Boiler Makers, Iron Ship Builders and Helpers, urging alleviation of the unemployment situation in the city of New York; to the Committee on Labor.

3868. Also, petition of the Newspaper Guild of New York, Local No. 3, American Newspaper Guild, opposing all quota reductions on Works Progress Administration; to the Committee on Appropriations.

3869. Also, petition of the New York State Waterways Association, expressing its opposition to the Lea bill, providing regulation of water carriers; to the Committee on Interstate and Foreign Commerce.

3870. Also, petition of the Plazine Oil Co., opposing Senate bill 1302, known as the Connally Act; to the Committee on Interstate and Foreign Commerce.

3871. Also, petition of the United Photographic Employees, Local Industrial Union No. 415, protesting against the abolition of the Federal Art Project; to the Committee on Appropriations.

3872. Also, petition of the New York State Society of Professional Engineers, Inc., endorsing for immediate adoption the Mead bill (S. 2063) and the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3873. By Mr. PFEIFER: Petition of the Brooklyn Bureau of Charities, Brooklyn, N. Y., favoring consideration and passage of House bill 5763; to the Committee on Banking and Currency.

3874. Also, petition of the American Planning and Civic Association, Washington, D. C., concerning the passage of the Gearhart bill (H. R. 3794); to the Committee on the Public Lands.

3875. Also, petition of the Central Federation of Labor, Albany, N. Y., endorsing the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3876. Also, petition of the Jewish Social Service Association, Inc., New York City, approving the Wagner bill, to amend the United States Housing Act of 1937; to the Committee on Labor.

3877. Also, petition of the Beaver-Ramapo Democratic Club, New York City, urging consideration of House bill 1390, to provide an adequate pension and medal for Matt Henson; to the Committee on Military Affairs.

3878. Also, petition of the New York State Society of Professional Engineers, Inc., New York, endorsing the Mead bill (S. 2063) and the Starnes bill (H. R. 4576); to the Committee on Appropriations.

3879. Also, petition of the New York State Bankers Association, New York City, concerning the Postal Savings System, the Federal Budget, office of the Comptroller of the Currency, Federal savings and loan associations, and the silver purchase program; to the Committee on Banking and Currency.

3880. Also, petition of the Plazine Oil Co., Inc., New York City, urging defeat of the Connolly bill (S. 1302); to the Committee on Interstate and Foreign Commerce.

3881. By Mr. SCHIFFLER: Petition of M. B. McDonough, assistant secretary and treasurer, Committee of United

Works Progress Administration Workers of Brooke County, W. Va., urging that the Northern Panhandle of the State of West Virginia be segregated from the central district rates of wages and placed in the northern district rates of wages in order that they can meet the living costs that compare with the living costs of those who labor in the northern district and who do the same kind and type of work as they are required to perform; to the Committee on Ways and Means.

3882. By Mr. STEARNS of New Hampshire: Petition of certain citizens of Alstead, N. H., supporting House Joint Resolution 168, permitting the entry of 10,000 refugee children from Germany during each of the calendar years 1939 and 1940; to the Committee on Immigration and Naturalization.

3883. By Mr. WELCH: Petition signed by a number of people of San Francisco, urging the passage of House bill 960; to the Committee on the Civil Service.

3884. By the SPEAKER: Petition of the Order of Railroad Telegraphers, San Francisco, Calif., petitioning consideration of their resolution with reference to House bill 6470, Works Progress Administration appropriation; to the Committee on Appropriations.

3885. Also, petition of Charles Forney, of Princess Anne County, Va., petitioning consideration of their resolution with reference to various legislation passed by the United States Congress; to the Committee on the Judiciary.

3886. Also, petition of the San Francisco Committee for Work and Security, San Francisco, Calif., petitioning consideration of their resolution with reference to Works Progress Administration; to the Committee on Appropriations.

3887. Also, petition of Harry Lee Jones, of Los Angeles, Calif., and others, petitioning consideration of their resolution with reference to Kings Canyon National Park; to the Committee on the Public Lands.

3888. Also, petition of the city and county of San Francisco, petitioning consideration of their resolution with reference to electric power; to the Committee on Military Affairs.

3889. Also, petition of the Utility Workers Organizing Committee, San Francisco, Calif., petitioning consideration of their resolution with reference to electric power; to the Committee on Military Affairs.

3890. Also, petition of Rose Spector, of San Francisco, Calif., and others, petitioning consideration of their resolution with reference to House bill 6470, concerning Works Progress Administration; to the Committee on Appropriations.

3891. Also, petition of Joseph Di Caro, of San Francisco, Calif., and others, petitioning consideration of their resolution with reference to House bill 6470, Works Progress Administration legislation; to the Committee on Appropriations.

3892. Also, petition of the Independent Voters League, Inc., Columbus, Ohio, petitioning consideration of their resolution with reference to Works Progress Administration employment; to the Committee on Appropriations.

3893. Also, petition of L. Shrewsbury, of New York, N. Y., petitioning consideration of their resolution with reference to Works Progress Administration projects; to the Committee on Appropriations.

3894. Also, petition of the Workers Project Association, New Orleans, La., petitioning consideration of their resolution with reference to Works Progress Administration legislation; to the Committee on Appropriations.

3895. Also, petition of the New York State Society of Professional Engineers, Inc., New York, petitioning consideration of their resolution with reference to Senate bill 2063 and House bill 4576, public-works projects; to the Committee on Appropriations.

3896. Also, petition of the Council of the City of Los Angeles, Calif., petitioning consideration of their resolution with reference to House bill 4576, concerning Federal Emergency Administration of Public Works; to the Committee on Appropriations.

3897. Also, petition of the Aurora Chamber of Commerce, Aurora, Ill., petitioning consideration of their resolution with reference to National Labor Relations Act (Wagner Act); to the Committee on Ways and Means.

SENATE

TUESDAY, JUNE 20, 1939

(Legislative day of Thursday, June 15, 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:

Our Heavenly Father, Thou who knowest our frame and rememberest that we are but dust: Turn Thy face from our sins and put out all our misdeeds, as we invoke Thy blessing upon us. May we never forget that, if personal character be the most precious of all jewels, the home is the casket that holds and protects it, and, if the Nation's life be as a river, broad and deep, the home is the spring on the mountainside where the river has its source. Bless and purify, therefore, our homes, these fountains of our national life; may love and tenderness, truth and honor prevail at every hearthstone in America, and lead us, as a people, to the City of God, in the spirit and power of Him who sanctified the home and left His eternal benediction there, Jesus Christ, Thy Son, our Lord. 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, June 19, 1939, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the bill (H. R. 5619) to provide for the training of civil aircraft pilots, and for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5762) to provide for temporary postponement of the operations of certain provisions of the Federal Food, Drug, and Cosmetic Act.

The message further announced that the House had passed a bill (H. R. 6851) to provide revenue, equalize taxation, and for other purposes, in which it requested the concurrence of the Senate.

CALL OF THE ROLL

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

The VICE PRESIDENT. The clerk will call the roll.

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

Adams	Danaher	King	Reynolds
Andrews	Davis	Lee	Russell
Ashurst	Donahey	Logan	Schwartz
Austin	Ellender	Lucas	Schwellenbach
Bailey	Frazier	Lundeen	Sheppard
Bankhead	George	McCarran	Shipstead
Barkley	Gerry	McKellar	Slattery
Bilbo	Gillette	Maloney	Taft
Bone	Guffey	Miller	Thomas, Okla.
Borah	Gurney	Minton	Tobey
Bridges	Harrison	Murray	Townsend
Brown	Hatch	Neely	Truman
Bulow	Hayden	Norris	Tydings
Burke	Herring	Nye	Vandenberg
Byrd	Hill	O'Mahoney	Van Nuys
Byrnes	Holman	Overton	Wagner
Capper	Holt	Pepper	Walsh
Chavez	Hughes	Pittman	Wheeler
Clark, Idaho	Johnson, Calif.	Radcliffe	White
Clark, Mo.	Johnson, Colo.	Reed	Wiley

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