9241. Also, petition of Local No. 1, Brotherhood of Telephone Workers, opposing peacetime conscription; to the Committee on Military Affairs.

9242. By Mr. SUTPHIN: Petition of the Lions Club of Freehold, N. J., urging speedy passage of the Burke-Wadsworth bill, calling for selective compulsory military training; to the Committee on Military Affairs.

9243. By Mr. WARD: Petition of sundry citizens of the First District of Maryland, to transfer at least 60 of our overage destroyers to Great Britain; to the Committee on Military Affairs.

9244. By the SPEAKER: Petition of the American Legion, Department of Mississippi, petitioning consideration of their resolution with reference to the national-defense program; to the Committee on Military Affairs.

9245. Also, petition of the Grand Aerie, Fraternal Order of Eagles, Marion, Ohio, petitioning consideration of their resolution with reference to the national-defense program; to the Committee on Military Affairs.

SENATE

THURSDAY, AUGUST 29, 1940

(Legislative day of Monday, August 5, 1940)

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

Rev. Duncan Fraser, assistant rector, Church of the Epiphany, Washington, D. C., offered the following prayer:

O God, Holy Ghost, sanctifier of the faithful, visit, we pray Thee, this people with Thy love and favor; enlighten their minds more and more with the light of the everlasting gospel; graft in their hearts a love of the truth; nourish them with all goodness; and of Thy great mercy keep them in the same, O blessed Spirit, whom with the Father and the Son together we worship and glorify as one God, world without end. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day of Wednesday, August 28, 1940, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

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

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

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

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

Mr. MINTON. I announce that the Senator from Mississippi [Mr. BILBO], the Senator from Iowa [Mr. GILLETTE], and the Senator from Utah [Mr. KING] are necessarily absent.

Mr. AUSTIN. I announce that the Senator from Oregon [Mr. HOLMAN] is absent on public business.

The Senator from New Jersey [Mr. BARBOUR] is attending the funeral of Mr. Seger, late a Member of Congress from the State of New Jersey.

The following Senators are unavoidably absent:

The Senator from Oregon [Mr. MCNARY], the Senator from Pennsylvania [Mr. DAVIS], the Senator from North Dakota [Mr. FRAZIER], the Senator from Massachusetts [Mr. LODGE], the Senator from Nebraska [Mr. NORRIS], and the Senator from North Dakota [Mr. NYE].

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

JUNE REPORT OF THE RECONSTRUCTION FINANCE CORPORATION

The PRESIDENT pro tempore laid before the Senate a letter from the Chairman of the Reconstruction Finance Corporation, submitting, pursuant to law, a report of the activities and expenditures of the Corporation for the month of June 1940, including statement of loan and other authorizations made during that month, etc., which, with the accompanying papers, was referred to the Committee on Banking and Currency.

MRS. GUY A. M'CONOHA

The PRESIDENT pro tempore laid before the Senate the amendment of the House of Representatives to the bill (S. 760) for the relief of Mrs. Guy A. McConoha, which was, on page 2, line 2, to strike out all after the word *"Provided"*, down to and including "$1,000" in line 14, and insert "That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000."

Mr. WHEELER. I move that the Senate concur in the amendment of the House.

The motion was agreed to.

SURETY BONDS FOR NAVAL-CONSTRUCTION CONTRACTS

Mr. WHEELER presented telegrams and a letter relative to surety bonds for naval-construction contracts, which were ordered to lie on the table and to be printed in the RECORD, as follows:

BILLINGS, MONT., *August 26, 1940.*

Hon. B. K. WHEELER,
Senate Office Building, Washington, D. C.:

We are vitally interested in the passage of amendment to H. R. 10263, striking out provision authorizing Navy Department to waive performance and payment bonds required by law for many years. We and others in similar business will be deeply grateful if you will support this amendment.

C. M. HOINESS.

HELENA, MONT., *August 24, 1940.*

Senator B. K. WHEELER:

H. R. 10263, now before Senate, would have effect of waiving surety bonds on naval-construction contracts. We submit the Government is entitled to and has insisted upon a guaranty of completion of all contracts heretofore awarded and cannot consistently make exceptions to such important work as naval construction. We respectfully ask your support of amendment which will be introduced on Senate floor restoring present provisions of Miller Act requiring such bonds.

Thanks and kindest regards,

MONTANA ASSOCIATION OF CASUALTY AND SURETY EXECUTIVES,
By MARK FARRIS.

MONTANA ASSOCIATION OF CASUALTY AND SURETY EXECUTIVES,
By MARK FARRIS.

Senator B. K. WHEELER,
Washington, D. C.

MY DEAR SENATOR: Enclosed is confirmation of telegram which we sent you today.

We will appreciate your support of the amendment to H. R. 10263, which will be introduced on the Senate floor and which restores the present provisions of the Miller Act requiring surety bonds on construction contracts awarded by the Government.

The Government has consistently required surety bonds on all kinds of contracts which it has awarded heretofore, and we can see no good reason to except naval construction, especially in these days of "fifth columnist" activities. In other words, we feel that if we are going to build ships, let us do it in an orderly and businesslike manner. Suretyship is the only guaranty that a contract will be completed according to specifications.

Thank you for your kind consideration of this important piece of legislation.

With kindest personal regards, I am,

Respectfully yours,

MARK FARRIS, *Treasurer.*

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

BRITISH SCHEDULE OF RESERVE OCCUPATIONS (S. DOC. NO. 273)

Mr. HAYDEN, by unanimous consent, from the Committee on Printing, to which was referred the manuscript submitted by Mr. LODGE on the 26th instant, entitled "Schedule of Occupations Exempt from Conscription in Great Britain," reported favorably thereon with the recommendation that the manuscript be printed as a document; and

On motion by Mr. HAYDEN, it was,

Ordered, That the manuscript of a schedule published by the Ministry of Labour and National Service of Great Britain, showing a list of occupations of British men and women possessing skill or experience that is required for the maintenance or production of essential services which are totally or partially exempt from conscription, be printed as a Senate document.

THE POLITICS OF OUR MILITARY NATIONAL DEFENSE (S. DOC. NO. 274)

Mr. HAYDEN, by unanimous consent, from the Committee on Printing, to which was referred the manuscript submitted by Mr. AUSTIN on the 28th instant, entitled "The Politics of Our Military National Defense," reported favorably thereon with the recommendation that the manuscript be printed as a document; and

On motion by Mr. HAYDEN, it was,

Ordered, That the manuscript of the Politics of Our Military National Defense, with the Defense Acts of 1916 and 1920, as case studies, being the history of the action of political forces within the United States of America which has shaped our military national defense policies from 1783 to 1940, be printed as a Senate document.

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. CLARK of Idaho:

S. 4312. A bill authorizing the printing of additional copies of the Annual Report of the Forest Service; to the Committee on Printing.

By Mr. HILL:

S. 4313. A bill to amend the Tennessee Valley Authority Act, as amended, by striking therefrom subsection (k) of section 4 and substituting therefor a new subsection (k); to the Committee on Agriculture and Forestry.

S. 4314. A bill granting permanent total disability rating to veterans suffering service-connected tuberculosis disability if such disease remains active after 2 years' hospitalization; to the Committee on Finance.

By Mr. STEWART:

S. 4315. A bill for the relief of W. W. Carlton; to the Committee on Claims.

By Mr. BAILEY:

S. 4316. A bill to repeal sections 4588 and 4591 of the Revised Statutes of the United States; to the Committee on Commerce.

By Mr. ANDREWS (for himself, Mr. PEPPER, Mr. GEORGE, and Mr. RUSSELL):

S. 4317. A bill for the relief of Frank P. Walden and Viola Harp; to the Committee on Claims.

By Mr. ANDREWS:

S. 4318. A bill to extend the benefits of the act of December 17, 1919, as amended, to the widows of certain officers and enlisted men who died subsequent to July 15, 1919, and prior to December 17, 1919; to the Committee on Military Affairs.

By Mr. MEAD:

S. 4319. A bill authorizing the transfer of land owned by the United States back to the Spring Park Club, of Richfield Springs, N. Y.; to the Committee on Public Buildings and Grounds.

By Mr. BAILEY:

S. J. Res. 292. Joint resolution to authorize Commander Howard L. Vickery to hold the office of a member of the United States Maritime Commission; to the Committee on Commerce.

By Mr. WHEELER:

S. J. Res. 293. Joint resolution providing for the inclusion of employees of express companies under the provisions of section 7 of the Fair Labor Standards Act of 1938; to the Committee on Interstate Commerce.

ALICE GERTRUDE COLLINS

Mr. GLASS submitted the following resolution (S. Res. 305), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the contingent fund of the Senate to Alice Gertrude Collins, widow of William J. Collins, late superintendent of the Senate Press Gallery, a sum equal to 1 year's compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

TRIBUTE TO THE ADAMS FAMILY OF COLORADO

[Mr. JOHNSON of Colorado asked and obtained leave to have printed in the RECORD a tribute to the Adams family of Colorado by Alva A. Swain, which appears in the Appendix.]

A TRIBUTE TO THE ISOLATIONISTS—EDITORIAL BY RICHARD L. NEUBERGER

[Mr. JOHNSON of Colorado asked and obtained leave to have printed in the RECORD an editorial entitled "A Tribute to the Isolationists," written by Richard L. Neuberger and published in the Oregon Labor Press, issue of August 9, 1940, which appears in the Appendix.]

ARTICLE FROM AMERICAN FEDERATIONIST ON CONSCRIPTION

[Mr. HOLT asked and obtained leave to have printed in the RECORD an article entitled "Labor Weighs Conscription," published in the American Federationist, which appears in the Appendix.]

FOREIGN POLICY OF THE UNITED STATES—EDITORIALS FROM WALLACES' FARMER

[Mr. LUNDEEN asked and obtained leave to have printed in the Appendix of the RECORD several editorials from Wallaces' Farmer relating to the foreign policy of the United States, which appear in the Appendix.]

SECOND SUPPLEMENTAL NATIONAL-DEFENSE APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 10263), making supplemental appropriations for the national defense for the fiscal year ending June 30, 1941, and for other purposes.

Mr. McKELLAR. Mr. President, I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that the committee amendments be first considered.

The PRESIDENT pro tempore. Without objection——

Mr. VANDENBERG. Mr. President, before the Senator from Tennessee proceeds, may I suggest that he make a general statement regarding the bill?

Mr. McKELLAR. I shall be very glad to do so; but may we have permission that the committee amendments be first considered?

The PRESIDENT pro tempore. Without objection, it is so ordered.

POSTMASTER GENERAL JAMES A. FARLEY

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

Mr. McKELLAR. I shall be glad to yield to the Senator from New York.

Mr. MEAD. Mr. President, today it is indeed fitting and proper that we take official notice of the coming retirement from the office of Postmaster General of the United States of my friend and fellow New Yorker, the Honorable James A. Farley. He is a proven executive, a great statesman, a fine gentleman, and the outstanding political leader of our day. On August 31, 1940, his resignation from that post will become effective—an important day of transition in the life of the Postal Service, in fact of the whole Nation. Hence, as a member of the Post Office Committee of the Senate and as junior Senator from New York, I rise to recall his efficiency and organizing ability during the 7½ years he was in charge of the Postal Service, to pay public tribute to those unsurpassed qualities of heart and mind which characterize him as a man and as a citizen, and, on behalf of the Senate of the United States, to acknowledge with appreciation the invaluable contributions which he has made to date to his country in the course of a career of manifold activity. Let us now

applaud him for his well-deserved success, for tasks well done, and wish him Godspeed.

The life of Jim Farley is the glamorous epic of a man of boundless courage rising to high place by virtue of indomitable spirit and unflinching character, against a background of American opportunity.

It is a story which makes us all proud to be Americans. Who is not familiar with Jim's early life—his struggle to make good, though thrown upon his own resources as a result of uncontrollable circumstance at an early age, and his truly phenomenal rise to preeminent leadership and power?

But there are other aspects to Jim Farley's character than the fighting qualities which go to make up moral stamina, and these have added prestige and trust and public confidence to his name. I speak of his sincerity of purpose, honesty, and integrity, and, last but not least, his capacity for friendship. These have been apparent in both his public and his private life.

I have had the pleasure of knowing Jim Farley intimately for many years. His abiding loyalty and steadfastness gave vital meaning and spiritual significance to his friendship. Only that can explain the remarkable personal following which he enjoys. Men and women from every walk of life—from the humblest to the highest ranks of society—know and regard Jim Farley as a personal friend. Tales of his capacity for friendship have already become legend.

His private family life has been edifying, his public career noble and inspirational. As a private citizen and a public servant he has been above the slightest reproach, utterly devoid of the slightest moral weakness. In this respect he measures up to the highest and finest ideals of his country and of his faith. No man has been more scrupulous in the performance of his public and private obligations in the entire history of the Republic, a towering example of adherence to the ideal American way of life.

What have been the specific fruits of his life's labors thus far? Let us strike a balance in order to appraise impartially the concrete effects of his long and exacting stewardships, as executive leader of a great political party, as influential adviser in the councils of state, and as Postmaster General of the United States. What has he accomplished in the domains of practical and theoretical politics and administration? What impress has he already made upon the contour of American history?

In the first place, he is perhaps most popularly known as the master political technician of two mighty Presidential campaigns which will echo down the passageways of time as manifestations of profound changes in the attitude of the electorate toward the relation of government to the promotion of the social interest. Jim Farley directed and piloted the practical political phase of two national elections which in effect wrought a social transformation in the mode of operation of American democracy, modernizing its instruments and endeavoring to preserve all that was essential, worth while, and basic in the democratic process.

Secondly, in addition to his unusual record in the sphere of practical political organization and direction, never hitherto equaled, he has championed, in the abstract realm of political philosophy, ideas and doctrines which ring true when tested upon the granite of sound American standards. His conception of the science of government as a means for the advancement of the common social good, justly balanced against the sacred rights of the individual human being, was the dominant factor in determining his reaction to all controversial political, sociological, and economic issues. For over 7 years, great has been the influence which he has exerted in molding the pattern of American political destiny to fit this governmental philosophy. The fulfillment of this mission alone ranks him for all time with the immortal statesmen of our glorious democracy.

Behind his actions as a practical political leader there is also clear-cut theory. Functionally and realistically he perceived in the survival of the two-party system of government one of the best guaranties of the American type of democracy. He believes that the efficiency of such a system depends to a great extent upon party regularity and political partisanship. In his political creed, therefore, there is no room for mere opportunism.

But thirdly, there is a less widely known phase of Jim Farley's public service, overshadowed, no doubt, by his more glamorous and spectacular accomplishments, but still of extreme importance, in regard to which I now particularly wish to speak. I refer to what he has done for the Postal Service. A study of the facts from 1933 to the present time reveals that the Postal Department has made great strides forward, chiefly because of his administrative skill and aptitude.

When President Roosevelt appointed Mr. Farley to the office of Postmaster General in 1933, the economic condition of the Post Office Department, like the general financial status of the country, was very deplorable. Postal revenues had been steadily declining since 1930. With the increase of postal expenditures the net postal deficit mounted steadily each year until it totaled $152,246,188 for the fiscal year ending June 30, 1932, the last fiscal year before he became Postmaster General. The total postal revenues for that fiscal year amounted only to $588,171,923, a new low from the previous peak of $705,484,098, recorded for 1930.

However, as compared with a net postal deficit of over $50,000,000 for the fiscal year ended June 30, 1932, figures for the year ending June 30, 1940, show a net operating postal surplus of approximately $8,000,000, the sixth annual net operating postal surplus during the 7 years he was Postmaster General. Postal earnings for the last fiscal year reached a new all-time high of about $766,000,000.

I shall not here attempt to enumerate in detail his many achievements as Postmaster General, because they are more fully explained in the account of his stewardship which I shall submit for the RECORD.

But as a legislator in both House and Senate for more than 20 years, and in particular as a member of the Post Office Committees in both branches of Congress, in virtue of which I had occasion to be in constant association with the Postmaster General on legislative matters affecting the Postal Service, I can attest—and I believe I can speak for the other committee members—to the amazing moral and material improvement of that Service. I can say without fear of contradiction that by his appointment of qualified career men in key positions, exemplified by the selection of the present Second Assistant Postmaster General, the Honorable Smith W. Purdum, by his appointment of Vincent Burke as postmaster of the Capital City of Washington, by his requiring of them 100-percent devotion to duty, by his inspiration and example of industry, and by his peerless leadership, Jim Farley raised the morale of the Post Office Department employees to heights never before attained in the history of that Department. During his administration there was built up a marvelous spirit of mutual trust, admiration, and respect between the general and his assistants, who truly came to love him. Without any exaggeration, it is my honest conviction that James A. Farley will be ranked by future historians as the greatest Postmaster General since Benjamin Franklin.

Jim Farley's long participation in public life has been obviously at a great personal financial sacrifice. It was inevitable that the time should come for him to accept a position in private business, which long ago recognized the value of his talents and ability. Fortunately, however, we have his assurance that he will continue an active interest in Democratic affairs. Those of us in New York who are interested in the good government of our State sincerely hope he will retain his post as New York State chairman for many years to come. Somewhere in his writings he has stated that "once the germ of politics gets in the blood, it seldom gets eradicated." May this observation prove to be a pledge of his continuance in political activities of major importance.

May this observation, as I conclude this merited tribute to a great character, to a fine friend, and to a remarkable leader, prove to be a pledge of his continuance in political activities of major importance.

Mr. President, I ask the privilege of extending my remarks by inserting a statement issued by Mr. Farley as he prepared to leave his post. I also ask to have published in the Appendix of the RECORD several editorials recently published in the press throughout the country paying tribute to Postmaster General Farley.

The PRESIDENT pro tempore. Without objection, it is so ordered.

[The editorials referred to appear in the Appendix.]

The statement of Postmaster General Farley is as follows:

STATEMENT OF POSTMASTER GENERAL JAMES A. FARLEY

As I prepare to leave my position as Postmaster General of the United States on August 31, 1940, I cannot praise too highly the more than 300,000 postal employees throughout the country for the splendid cooperation and assistance that they have rendered to me and to my staff at the Post Office Department during the last 7 years.

I doubt if the Postal Service has ever been operating on a more efficient basis than it is at the present time, the credit for which belongs to those loyal public servants who perform their duties throughout the day and night in every branch of the service in order that the mails may go through with speed and regularity.

When I assumed charge of the Post Office Department on March 4, 1933, the Postal Service was being operated at huge annual net deficits, that for the last fiscal year before I became Postmaster General (1932) amounting to the staggering sum of $153,000,000. Through the adoption of sound business principles and by the practice of economy wherever possible without impairment to the Postal Service generally, we have succeeded in bringing the postal revenues and expenditures into balance, with respect to those services that are rendered to the public for hire.

During 6 of the 7 years that I have been at the head of the postal establishment, we have recorded net operating postal surpluses of several million dollars per year, that for the fiscal year just ended amounting to $8,000,000 during a 12-month period when postal revenues reached a new all-time high of $766,000,000. Conversely, we have reduced postal expenditures by millions of dollars while at the same time providing many new and varied services to the public. In this connection this was accomplished without any reduction in personnel; rather, on the contrary, it has been necessary to add thousands of new employees to the Department's rolls in order to keep pace with the increased volume of business that has been brought to the Postal Service through promotional and publicity campaigns to acquaint postal patrons with the many services which are accorded for their benefit and about which, previously, many thousands knew little or nothing.

During my 7 full fiscal years as Postmaster General there has been expended by the Post Office Department a total of $5,219,135,436.36; $3,852,782,165.29 of which has been paid out for postal salaries; $1,107,972,490.27 for the transportation of mail, and $258,917,401.78 for the purchase of supplies and the rendition of other services.

The net aggregate postal surplus for this period amounted to $39,638,752.52.

At this time I shall not attempt to recount the many improvements that have been made in the Postal Service during the past 7 years, but there are a few which I think are worthy of mention, namely, the reduction of the hours of labor per week from 44 to 40; the extension of the Air Mail Service by thousands of miles, including the inauguration of trans-Atlantic and trans-Pacific service, which has been accompanied by a fourfold increase in airmail poundage; the erection of some 1,500 post offices in every section of the country, involving an expenditure of approximately $315,000,000; the issuance of new and more attractive postage stamps, which has increased the sales of stamps to collectors from $300,000 per year to $4,00,000, which figure represents a source of what might be termed clear profit to the Government, as most of these stamps purchased by collectors are never used for postal purposes; the establishment of rating and merit systems for employees in every branch of the service; the lengthening of rural mail routes by several hundred thousand miles, so that rural patrons now served by this great system have been increased by more than three million; the stabilization of the position of postmaster by legislation which has placed first, second, and third-class postmasters under the civil service, one of the most significant extensions to the merit system in many years.

In addition to these postal accomplishments, the Post Office Department has performed several outstanding services for other Government departments and agencies during the past 7 years. Among these have been the handling and payment of millions of dollars to the veterans of the country in the form of bonus payments; the registration of workers under the social-security program; the taking of a census of the unemployed; the selling of millions of dollars' worth of United States Savings bonds for the Treasury Department; the shipment of several billions of dollars of gold for the Treasury Department; and the sale of hunting licenses through post offices for the Department of Agriculture.

In leaving the Post Office Department I am taking with me memories of some of the finest associations and friendships that it has ever been my privilege to enjoy. I shall ever be grateful for the cooperation and assistance which I have received from everyone in the Postal Service.

The success that has been attained in placing the Post Office Department on its present high plane of efficiency is due largely to the individual effort and loyalty of everyone connected with the Postal Service, and it will always be a source of great pride to me to know that not once during the 7 years that I have served as Postmaster General was there even the slightest hint of scandal of any kind, which again is a tribute to the trust and honesty of postal workers.

Mr. VANDENBERG. Mr. President, I wish to add just a word to what the able junior Senator from New York [Mr. MEAD] has said, because I feel a deep personal concern in the situation to which he addresses himself.

Mr. Farley and I have been vigorous political opponents for many years, but just as long we have been close personal friends. I consider him one of the great and most colorful public figures of this generation. He is also one of the rarest human souls who has blessed our time. I wish to join in the compliment presented to him.

There are no political divisions when we assess realities of human character and of friendship. I wish Jim Farley every success as he returns to private life. I may say parenthetically that I am glad he is returning to private life. His party is dropping a masterful pilot, his Government is losing a faithful public servant, but his country retains his patriotic devotion, and countless people retain a loyal friend.

Mr. SMITH. Mr. President, I am about to leave the Senate Chamber, and I wish to make one statement about Jim Farley. I know, and it is universally known, that when he made a promise he kept it. He kept his word. No finer characteristic is possessed by any man.

Mr. McKELLAR. Mr. President, I wish to express my hearty approval of what the distinguished junior Senator from New York [Mr. MEAD] has said about Postmaster General Farley. I did not know Mr. Farley until a short time before he became the manager of President Roosevelt's campaign and afterward chairman of the Democratic National Committee. But since that time I have known him very intimately. As chairman of the Committee on Post Offices and Post Roads of the Senate, I have been thrown into very close touch with him throughout his entire administration of the office of Postmaster General.

I have found Mr. Farley at all times one of the most efficient, one of the ablest, one of the most successful administrators of the Post Office Department we have ever had. He has been fortunate in gathering good men around him, and he has managed his Department with remarkable ability and skill. No department of the Government is in better shape at this time than is the Post Office Department.

Personally, Mr. Farley is one of the most delightful of men. He is very highly educated, a well-informed scholar. He has a remarkable acquaintance with history. I have often wondered when he found the time to do as much reading as he evidently does. Not only does he keep up with current affairs, but he is very familiar with the history of this country and the history of the world in times past.

In addition to making one of the best Postmaster Generals the Nation has ever had, I think it can be safely said that Mr. Farley has been the best chairman of the Democratic National Committee in its history. He has been a remarkable success. He is naturally a leader of men. Kindly, generous, big-hearted, big-brained, he has made a wonderful record in his comparatively short public life.

I am sorry the Government and the people of the United States are to lose Mr. Farley's services as Postmaster General; and, while we have an able chairman of the Democratic National Committee now, I regret, indeed, we will not have the advantage of Mr. Farley's experience and of his great ability at the head of that committee.

I take great pleasure in joining the Senator from New York and the Senator from Michigan in their high estimate and praise of this honest, straightforward, efficient, vigorous-minded, splendid official of the Government of the United States.

Mr. BARKLEY. Mr. President, I would not want this opportunity to pass without adding a word on my own behalf to what has been said about Jim Farley. It is not always easy

for a man to attain the reputation of being unusually efficient in his public service. Many men strive to attain that reputation and that characteristic, but because for some reason nature has been unkind they may not be able to succeed.

I have known Mr. Farley during the last 8 or 9 years, and it has seemed to me that nature fashioned him for public service. He has been efficient, not in one capacity only, but in many. I have not known anyone within my recollection who at the same time had charge of so many activities as did Mr. Farley. He was not only Postmaster General, chairman of the Democratic National Committee, and chairman of the New York State Democratic Committee, but he had other interests which required his attention.

In addition to being efficient, meticulously efficient, in the three capacities I have mentioned, any two of which would absorb most of the energies of an ordinary man, Mr. Farley has been able to accumulate what I believe to be as large a body of personal friends throughout the United States, if not the largest, ever enjoyed by any public servant or public character.

I regret his departure from the Post Office Department, and without any invidious comparison between him and any of his predecessors or his successors, I regret that he finds it necessary to retire from the Democratic National Committee.

I wish Mr. Farley the greatest possible success in private life, and I am sure he will have it; but, even more than that, I trust that his interest in public affairs, his experience, his wise counsel, and his knowledge of all sections of the country—the latter an attribute not always found in those who live in a particular section—will continue to be at the service of his country and his generation.

In the prime of life as he is, vigorous in mind and body, I am satisfied that Mr. Farley will enjoy a long and successful career in whatever branch of service he chooses to engage.

Mr. BONE. Mr. President, lest I charge myself with being ungracious because the opportunity is now offered me, and of which I might not take full advantage, I wish to say that in the years I have known Mr. Farley and been privileged to have contacts with him I have found him to be the high type of public servant and fine and gracious gentleman who has been so aptly and ably described here today.

I think the public service is losing one of its finest and highest types when Mr. Farley goes out of public life.

I have personal reasons to appreciate him, perhaps more than some, because of his always gracious kindness toward me. The kind offices of Mr. Farley, the chairman of the Democratic National Committee, have been extended to me in many helpful ways. I share the views expressed here by my brethren concerning him and his public service.

Mr. WAGNER. Mr. President, with the indulgence of the Senate, I wish to add to what has already been said my personal tribute to the retiring Postmaster General, the widely beloved statesman and great American, James A. Farley.

My friendship and association with Jim Farley go back many, many years. The qualities which today endear him to the American people he has always possessed in the same degree—profound personal loyalty and absolute integrity, deep convictions, and broad social outlook, executive ability, and driving will toward leadership in public causes. It was these qualities that made possible his brilliant record as a Cabinet officer, charged with the direction of one of the largest public enterprises in the world. It was with these qualities that he endowed political leadership with a new worth and dignity unprecedented in our national life. And it is these self-same qualities that make up the character of the man and insure his continued success in the years to come.

Jim Farley began his career with no resources except these qualities of head and heart. His career and his achievements exemplify the rich promise of this land of ours, the opportunities that come to men of courage and ability, however humble their birth or station.

In the last 7 years the Democratic Party has worked steadily and courageously to fulfill its promise of a New Deal for the American people. The merits of our program are today being hammered out on the anvil of public debate. The greatest tribute that can be paid to our party and its leadership is the endorsement by the opposition of our objectives and the broad principles of the legislation we have fostered.

These achievements of the Democratic Party are bound up in the achievements of Jim Farley. To him goes full and unstinted credit as the master builder of party victory. Without his splendid capabilities and genius in party organization the great successes of recent years could not have been achieved.

In his own right, Jim Farley has been a brilliant champion of the objectives and the principles we have advanced. The sincerity and earnestness of his convictions won the program immeasurable support, and his eloquence and Nation-wide friendships brought it many converts. He marched side by side with us in the years of up-hill struggle to gain recognition in the public forum of the needs and aspirations of the common man. And with us he labored successfully in the crowded years since 1933 to restore the faith and the stake of the common man in the democratic way of life.

Together with his innumerable friends throughout the length and breadth of the land, in and out of the Democratic Party, I profoundly regret that Jim Farley has found it necessary to leave the public service. My own State of New York, however, has this advantage over the Nation as a whole: We are insisting upon retaining him as our State chairman. His close association with us there, and with the national committee organization and its splendid new chairman, make certain that we will have the benefit of his counsel and his guidance in the campaign that lies ahead.

In retiring to private life, Jim Farley carries with him the love and affection of the people of America and the kindest felicitations of all those who, like myself, have been privileged to know and work with him, in the ranks of the Democratic Party, and in the cause of alert, liberal, and warm-hearted government.

Not long ago, at a great gathering of Jim Farley's friends meeting in his honor, I was privileged to deliver a tribute to his leadership in political and public life. I ask unanimous consent that this address be printed as part of my remarks.

The address is as follows:

My friends and fellow Democrats, we meet tonight in a spirit of complete unity.

We are united in our support of a Democratic administration in Albany which has given the people of the Empire State progressive and courageous government, under the sound guidance of a great Governor—Herbert H. Lehman.

We stand united on the superb record of the Democratic administration in Washington as it enters its eighth year of ever-increasing service to the American people.

We are united in our devotion to the great humanitarian who has led our Nation and our party during these 8 years of progress—Franklin D. Roosevelt.

We are united in our esteem and affection for the front-rank statesman and beloved American whom we all gather to honor tonight—James A. Farley.

And we are united in our determination to win another overwhelming victory for America and for the Democratic Party in the elections next November.

All my life I have been a Democrat. I have seen our organization, in city, State, and Nation, taste the sweetness of many stirring victories and the bitterness of many disheartening defeats.

If, as a battle-scarred veteran, I may offer counsel to the young and eager soldiers just entering the fray, I would say this:

Now that we are in power, we are called the majority party. At times, in the past, we have been called the minority party. But, looking back over the long years, it seems to me we have been in the minority only when we were divided. Whenever we stood together we carried the electorate with us, because our liberal principles and our progressive record appealed to the conscience and the intelligence of the American people. If we hold unanimously to these liberal principles today—if we pledge ourselves in unison to extend this progressive record—we shall continue to be the majority party in 1941.

Nobody knows better than the opposition that Democratic unity means Democratic victory. That is why in quarters hostile to our interests and fearful of our success we hear whispers of disharmony in our ranks. Just where, I ask, is there dissent from the justice of our principles and the soundness of our program?

To make business free, we have protected its desire to be fair—protected it from sharp practices in the market place, in the sale of securities, and the handling of bank deposits. To expand the outlets for private industry, we have built great public works, encouraged home ownership, and vastly increased the purchasing power of the masses of the people.

Where is there any disagreement about this program for helping business? Is it in the Democratic Party, whose policies turned business losses into profits? Or is it among the Republican leadership, who in the face of the greatest calamity which ever befell our business system, stood hopelessly and helplessly by?

In the interest of the farmer, the present administration has helped him grow better crops at lower costs, electrified his farm, almost doubled his income, and fought consistently to attain equality for agriculture.

Is the confusion in farm policies in our camp? Or is it in the camp of the Republicans, who for 12 years promised the farmer everything and gave him nothing? The ideas about agriculture now being expressed by the leading Republican candidates, remind us of the man who mounted his horse and rode off in all directions.

To the factory worker, we have brought release from sweatshop hours and pauper's pay. The industrial freedom to which American labor has so long aspired, has become an accomplished fact.

In the city and on the farm, those overtaken by economic insecurity are being sustained in body and spirit by old-age pensions, unemployment insurance, aid to the crippled and the blind, maternal welfare legislation, and now the beginnings of health protection. In C. C. C. camps and in the National Youth Administration, those who were known as the lost generation in 1932 are being taught to assume the duties of useful citizenship, and given the chance to do so. The children in our slums are being moved into housing projects that are clean and safe.

On all these vital human issues, where are there any basic differences among the leaders and among the rank and file of the Democratic Party?

Above all, in the storm-tossed world about us, the ceaseless vigilance of the Roosevelt administration has kept this Nation in the path of peace. In the death-laden war zones of Europe, not a single American ship has been damaged, not a single American life has been lost. We will continue to keep out of the wars that rage overseas. We will continue to guard against subversive activities in our midst, and to build an Army, Navy, and air force prepared to defend the political liberty and the territorial integrity of the Western Hemisphere. Our party is united in this traditional American foreign policy, having but one objective—the peace and security of our own land and our own people. Unlike some Republican candidates, we do not have one foreign policy for the Atlantic seaboard and another for the Middle West.

All these achievements of the Democratic Party are bound up in the achievements of the man we honor tonight. The Democratic Party and Jim Farley are one and inseparable. Without his masterful organization and untiring devotion, the great successes of recent years would never have been won.

But Jim Farley is more than a master-builder of party victory. In his own right, he is a foremost exponent of democratic principles, a statesman of high patriotism, national vision, and executive ability. His great heart, his profound convictions, and his simple eloquence have won converts to our progressive banner the country over. No one has expressed more clearly, no one has felt more sincerely, the liberal impulses which set our program in motion and fixed its permanent imprint on the pattern of American life.

Our honored guest has another quality which to me is the supreme test of a man in public office. Like our great President, he has in rare degree the gift of tolerance. For this reason, Jim Farley is an invaluable spokesman and leader of the party of Thomas Jefferson.

We cannot treasure too highly the practical application of this spirit of tolerance—its vital importance at a time when the world is torn by hatred, bigotry, and strife.

Jim Farley's standing is not measured only by the vast throng here tonight. He has the confidence and affection of the people of America, in North and South, in East and West. He started his career with no resources except his own talents and character. The story of his steady upward climb to national fame and national office embodies in full measure the rich promise of American opportunity. He has risen to meet progressively greater tasks with ever-increasing ability, until today no office within the gift of the American people is too high for him to fill with great distinction.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed the bill (S. 1681) to amend section 107 of the Judicial Code to create a mountain district in the State of Tennessee, and for other purposes, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the bill (S. 4271) to increase the number of midshipmen at the United States Naval Academy, with an amendment, in which it requested the concurrence of the Senate.

The message further announced that the House had agreed to the following concurrent resolution (H. Con. Res. 87), in which it requested the concurrence of the Senate:

Resolved by the House of Representatives (the Senate concurring), That, in accordance with paragraph 3 of section 2 of the Printing Act approved March 1, 1907, the Committee on Ways and Means of the House of Representatives be, and is hereby, authorized and empowered to have printed for its use 3,000 additional copies of the hearings, held before said committee during the current session, on proposed legislation relative to the Excess-Profits Taxation Act of 1940.

ENROLLED BILLS SIGNED

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

S. 313. An act to carry out the findings of the Court of Claims in the case of Lester P. Barlow against the United States;

S. 823. An act for the relief of John P. Shorter;

S. 927. An act to confer jurisdiction on the Court of Claims to hear, determine, and render judgment upon the claim of Suncrest Orchards, Inc.; and

S. 4042. An act to provide for the acquisition of flowage rights and the payment of certain damages in connection with the operation of the Fort Hall Indian irrigation project, Idaho.

SECOND SUPPLEMENTAL NATIONAL-DEFENSE APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 10263) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1941, and for other purposes.

Mr. McKELLAR. Mr. President, the senior Senator from Michigan [Mr. VANDENBERG] asked that a statement be made with respect to the pending measure, and I take pleasure in making a general statement at the beginning of the consideration of the measure.

The bill provides for an eventual total appropriation of $5,023,169,277. That amount is divided into contractual obligations and actual appropriations. As the bill passed the House the amount of money actually appropriated was $2,234,191,957. If Senators will read the committee report, they will find these figures. As the bill passed the House the amount provided for contractual authority was $2,728,960,000.

The Senate committee has increased the amount of money appropriated by the sum of $34,507,320. The contractual obligations have been increased by the Senate to the extent of $26,510,000. That makes the total which I stated a moment ago.

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

Mr. McKELLAR. I yield.

Mr. VANDENBERG. Are the contractual obligations, obligations which will not fall due in the present fiscal year?

Mr. McKELLAR. That is the situation. Let me say to the Senator what he already knows, but which may be repeated at this time, that the purpose of the bill is tremendously to increase our Navy; in other words, to make it a two-ocean Navy, and at the same time prepare our Army along the lines that have been argued for in the Senate during the last 4 weeks in connection with the consideration of the selective-service or draft bill.

Mr. VANDENBERG. The Senator does not mean that the pending bill includes all appropriations for the conscript army?

Mr. McKELLAR. No; it does not include any appropriation for the personnel of the draft. The bill provides for artillery, for airplanes, for machine guns, for rifles, for ammunition, for every kind of equipment for the Army under the national-defense program which has been inaugurated.

Mr. VANDENBERG. What I am trying to get at is this: Do I correctly understand the Senator that the expenditure in the present fiscal year is contemplated at $2,265,000,000?

Mr. McKELLAR. Two billion two hundred and sixty-eight million dollars, in addition to what has already been appropriated for similar purposes under previous bills passed this year.

Mr. VANDENBERG. Can the Senator tell me whether any estimate is available as to the additional amount which will be necessary to pay for mobilizing the National Guard and for raising the conscript army?

Mr. McKELLAR. I cannot give the exact figure. It is more than $1,000,000,000, but the figure cannot be given until the

selective service bill has finally passed, and the Budget estimate is made up and sent to the Congress for action.

Mr. VANDENBERG. I thought, perhaps, there was some unofficial information which could be given.

Mr. McKELLAR. Perhaps I can give that. I said the amount would be over a billion dollars. The general estimate is about $1,200,000,000, according to the testimony presented before our committee.

Mr. VANDENBERG. I will not detain the Senator a second longer if that is all there is.

Mr. McKELLAR. I am indebted to the Senator, and I am perfectly willing to answer any question I can.

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

Mr. McKELLAR. I yield.

Mr. TAFT. The Senator stated that one of the purposes of the bill was to provide a two-ocean navy. I notice that the amount for replacement of naval vessels and armor totals about $225,000,000. The Senator does not mean, does he, that that amount would provide the two-ocean navy?

Mr. McKELLAR. Oh, no.

Mr. TAFT. Can the Senator estimate about how much more it will cost to build a two-ocean navy in addition to what is appropriated in the bill?

Mr. McKELLAR. The testimony does not disclose the exact figure, but it is approximately $4,000,000,000, as I remember the general amount.

Mr. TAFT. The general amount would be about $4,000,000,000, of which the pending bill would appropriate, I judge, in the neighborhood of about $225,000,000?

Mr. McKELLAR. Yes. Two billion two hundred and sixty-eight million dollars; and there is provision for contractual obligations amounting to about that much more.

Mr. TAFT. Yes; but I mean, included in this $2,000,000,000 is really only about $200,000,000 for the two-ocean navy—for the construction, that is, of the two-ocean navy, as I understand the figures?

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

Mr. McKELLAR. I yield.

Mr. BYRNES. Of course, I assume the Senator is talking about the Navy which is now in contemplation, and which has been called a two-ocean navy.

Mr. TAFT. The Navy authorized by the recent naval authorization bill.

Mr. McKELLAR. The beginning of construction of which is authorized; yes.

Mr. BYRNES. The statement to the committee was that the total cost of these ships is estimated to be $4,000,000,000, of which $2,750,000,000 is for the construction and the machinery portion, and of which $25,000,000 is needed in 1941 for initiating construction. The corresponding armor and ammunition cash requirement is $10,000,000.

Mr. TAFT. So I am approximately correct. Therefore, in addition to the $5,000,000,000 included in the pending measure it will cost in the neighborhood of $4,000,000,000 more to complete a two-ocean navy, or the present authorized Navy?

Mr. BYRNES. Over a period of 6 or 7 years there would be that expenditure.

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

Mr. McKELLAR. I yield.

Mr. VANDENBERG. Can the Senator tell me from the data before him how much of that total amount will be necessary for new destroyers in order to create the new Navy?

Mr. BYRNES. The statement is that the total needs of the Navy for patrol craft cover the following types, at estimated unit costs as shown:

One hundred and sixty-five patrol vessels, $1,250,000.

One hundred and ten submarine chasers, $350,000.

Motor torpedo boats, $335,000.

Motor antisubmarine boats, $300,000.

So far as I know at this moment, there is no break-down showing exactly the number of destroyers. If I can find the information, I shall give it to the Senator.

Mr. VANDENBERG. I thank the Senator.

Mr. McKELLAR. Mr. President, I shall cover very briefly the House provisions, if the Senator desires. If he will look on page 2 of the bill for the Quartermaster Corps there is about $8,000,000 for the general make-up of the Army. The Quartermaster Corps covers every part of the Army.

For clothing and equipage for the Army there is $150,064,813 presently appropriated, and there are contract authorizations of $50,700,000.

For Army transportation there is an appropriation of $87,500,610, and there are contract authorizations of $7,150,000.

For military posts the House allowed $70,001,915, and the Senate committee increased the amount to $73,001,915. The House allowed $12,000,000 for contracts for Army posts, and $14,000,000 was allowed by the Senate committee.

For acquisition of land for military purposes the figure is $7,600,885.

The Signal Corps was given $60,646,752, of which $45,600,000 is for the equipment of airplanes, furnishing artillery for airplanes.

The Air Corps of the Army is probably one of the largest items. Five hundred and twenty million, eight hundred and two thousand and three hundred and four dollars additional was appropriated directly, and contracts were authorized to the extent of $1,002,600,000.

In the Medical Department there is a comparatively small sum, and the same statement is true of the Corps of Engineers.

For the Ordnance Department, $540,162,645 was allowed for present appropriations, and $902,000,000, or nearly $1,000,000,000, for contract obligations.

For the Chemical Warfare Service, $12,028,641 was allowed for appropriations, and $15,400,000 for contract obligations.

For seacoast defenses, such as antiaircraft guns, $16,533,491 was allowed for present appropriations, and $20,100,000 for contractual obligations.

The next item is for expediting production. The Senator is familiar with the fact that we must expedite production. There is appropriated for the Secretary of War $162,500,000 for that purpose.

With respect to the Navy Department, if the Senator will look on pages 7 and following of the bill, he will find that there are some comparatively small items. Then for the Bureau of Yards and Docks, and for Public Works, Bureau of Yards and Docks, the appropriations are tremendously increased all over the country. For the navy yard at Boston $750,000 is allowed for building and accessories, and $565,000 for improvement of distributing systems. There are appropriations for the navy yards at Charleston, Mare Island, New York, Norfolk, Pearl Harbor, Philadelphia, Portsmouth, Puget Sound, and various others, and for naval stations and submarine bases all over the country.

That accounts for the very large additional appropriations which are made.

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

Mr. McKELLAR. I yield.

Mr. WILEY. I notice on page 14 that there are appropriations for the naval training station at Great Lakes, Ill. In the past year and a half I have had opportunity to talk with some of the naval men. I wonder if there is any appropriation in this bill for shipbuilding on the Great Lakes, in the construction of torpedo boats or destroyers.

Mr. McKELLAR. This is not a shipbuilding bill.

Mr. WILEY. I realize that.

Mr. McKELLAR. There are no appropriations for that particular purpose. I call the Senator's attention to the report which was made. Much of the increase of thirty-four and a half million dollars made by the Senate committee is to be found in projects at various navy yards and naval stations which have been added to the list which the House had. Increases were made in the appropriations for the Navy Yard at Charleston, S. C., for the Naval Academy at Annapolis, Md., and for the naval training station at Great Lakes, Ill. If the Senator will look at the third item in the report under the Bureau of Yards and Docks, he will see—

Naval training station, Great Lakes, Ill.: Improvement of power plant, $450,000.

There are other additional facilities, amounting in all to $1,750,000.

There is also an additional appropriation for the naval training station at Newport, R. I.; for the naval training station at Norfolk, Va.; the naval training station at San Diego, Calif.; the naval ammunition depot at Charleston, S. C.; the naval torpedo station at Newport, R. I.; and the marine barracks at Parris Island.

It will thus be seen that a very large proportion of the increase in the Navy Department is to be found in projects which are being added to.

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

Mr. McKELLAR. I yield.

Mr. TAFT. I ask the attention of the Senator from South Carolina [Mr. BYRNES], to see if I am correct. On page 53 of the House hearings Admiral Robinson testified that the appropriation in the bill provides for laying down all the tonnage provided under House bill 10100, plus the over-age-tonnage battleships allowed under the 1934 act. On page 51 it appears that in House bill 10100, 250,000 tons of destroyers are authorized. So I take it that the bill provides the initial funds for laying down 250,000 tons of destroyers, in addition to those which we now have.

Mr. BYRNES. There is specific language authorizing the laying down of those destroyers.

Mr. McKELLAR. Mr. President of course this is a very large bill, one of the largest appropriation bills the Appropriations Committee has reported in a long time; but it is made necessary by the condition in which the Nation now finds itself. Our naval officers believe that under the circumstances our Navy should be tremendously increased. I join in that opinion. I think it should be. I think it is our duty to increase our Navy. It is hard to have to expend all these funds, but in my judgment in this crisis they ought to be expended; and I believe substantially the entire Congress and the vast majority of our people are in favor of this preparation. I think we ought to make it. I think our naval officers have made a splendid start in this direction by their recommendations to the committee.

The committee has studiously, vigorously, actively, and painstakingly gone over every item which has been submitted. Each item has been discussed. We have gone into it very carefully, and the committee has reported the bill with the increases I have stated. I very much hope that the Senate will agree to them.

As to the Army, we all know that we must increase our Army. That question has been before the Senate for weeks, and there is no need further to discuss it. We should go forward as recommended by our Army officers, who are as able and capable as our naval officers. I am neither an admiral nor a general. I do not believe my opinions about these matters are as good as the opinions of the experts in the Army and Navy whom we have employed to do this very work. I believe they have made the very best recommendations possible. I think we ought to stand by our Army and Navy. We must trust them, in any event. We have trusted them in the past. They have never failed us, and they will not fail us this time.

I very much hope the Senate will endorse what the committee has done and what the Army and Navy officers have recommended, and that we may thus build up a two-ocean Navy and a substantial Army to look after and defend the interests of our great country.

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

Mr. McKELLAR. I yield.

Mr. VANDENBERG. I wonder if the Senator has information available on certain points in which I am interested. He has referred to the fact that the appropriations necessary to handle the mobilization of the National Guard are yet to come. On last Saturday the War Department advertised for bids for cantonments to care for about 230,000 men, and the statement defining the operation indicated that the cantonments are for the National Guard and the Regular Army. Can the Senator tell me under what appropriation specifically this construction of cantonments for 230,000 men is proceeding? I realize it has nothing to do with the pending bill.

Mr. McKELLAR. I have not the figures in my mind, but appropriations have been made in preceding bills for that purpose. In addition to that, the Senator will recall we appropriated quite a large sum, $200,000,000, as I recollect, to be placed in the hands of the President, and a considerable portion of that fund was to be used in that behalf.

Mr. VANDENBERG. I should like to know how long the money to build these cantonments for 230,000 men has been available to the executive branch of the Government?

Mr. McKELLAR. I would have to look up the dates when the appropriations were made to answer the question.

Mr. VANDENBERG. We hear a great deal about congressional delays. I was wondering just how long it took the War Department to proceed with the construction of these cantonments?

Mr. McKELLAR. I think the money has been available since some time in June.

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

Mr. McKELLAR. I yield.

Mr. THOMAS of Oklahoma. The idea of building cantonments to take care of a large number of soldiers is a matter of recent origin. It is my understanding the money is not yet available for the construction of those cantonments. In the first place, cantonments would not be needed unless the National Guard should be called into service, and, secondly no Army cantonments will be needed until the conscription bill shall be enacted. The President signed the National Guard bill yesterday, as I understand.

Mr. McKELLAR. It has been very recently signed, and, of course, the buildings could not be constructed until the authority had been given by the Congress.

Mr. THOMAS of Oklahoma. The conscription bill has not yet been passed by both Houses; so the authorities do not know whether they will have need to take care of the conscriptees.

Mr. VANDENBERG. Mr. President, the Senator said he thought no funds had been appropriated to build these cantonments. I am referring to the announcement from the War Department on August 24 that arrangements were being made as of that date to proceed to the construction of cantonments for 230,000 men. So, obviously, there must be appropriations to that extent. What I am trying to find out is in what bill that appropriation was made.

Mr. THOMAS of Oklahoma. As I understand, the money was taken out of the funds referred to by the Senator from Tennessee, which were appropriated by Congress to the President, and which has now been allocated for that purpose.

Mr. VANDENBERG. The statement does not show that to be so. If that is the case, what is that bill and what was the date of its passage? Can the Senator give me that information?

Mr. BYRNES. If the Senator will look on the back of the calendar he will find that June 26 was the date of approval of the act referred to.

Mr. VANDENBERG. That is what I want to know. I thank the Senator.

Mr. McKELLAR. Mr. President, I wish to call the Senator's attention to an appropriation in this very bill.

Construction of buildings, utilities, and appurtenances at military posts, * * * $73,001,915.

That is on page 3 of the pending bill. So under that appropriation a part of the fund can be used for the purpose the Senator has just mentioned, but, of course, it has not been appropriated as yet. The House has passed the appropriation bill, but it has been held up in the Senate by the consideration of the draft bill.

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

Mr. McKELLAR. I yield.

Mr. THOMAS of Oklahoma. Heretofore money has been appropriated to be used in the discretion of the President. It may be that money has been used to make plans for actual construction, but it is obvious that no cantonments would be

constructed or ordered constructed before this time, because no one knew that the National Guard bill would pass and no one now knows that the conscription bill will finally pass; so the plans are all conjectural. At the present time plans are rather definite.

Mr. President, if the Senator from Tennessee will yield further, let me say that the Congress is criticized oftentimes for following the recommendations of the War Department.

Mr. President, the officials of the War Department are made up of picked and specially trained men. Under our system there are selected from the country at large boys of the best ability who are placed in special schools, at West Point in the case of the Army and at Annapolis in the case of the Navy. In those two schools these boys are trained intensively for 4 years. They must be well prepared to get into these institutions. After they have been graduated and enter the actual service, those who devote themselves most assiduously to their work, who have become the most proficient or have made the best records, are picked out and selected for special training. In the case of the Army they are sent to special schools, such as the one at Fort Sill, for example, for artillery training, Fort Riley for cavalry training. Later on they are sent to Fort Leavenworth to be trained in executive capacities, which fits them for the higher ranks of the Army service. Then, later on, the most efficient officers are sent here to Washington to take the course in the Army War College.

So, finally, the most efficient, the most active, and those who make the best records, after having been trained all their lives, find their way into the Navy Department and the War Department here in Washington. Then the most capable of these officers are finally advanced to the key positions in the War Department and in the Navy Department. They are the officers and officials, trained all their lives, thereby becoming specialists, who advise the Congress.

As I see the situation, if we have any experts in America, such experts are the officers of the War Department and the Navy Department, who appear before our committees and advise us as to what should and should not be done. So we are justified, I think, in taking their recommendations. If they do not know how to organize, develop, and train an Army, and advise the Congress, then we have no one to fall back on. So I am glad that we have such experts to advise us, and personally I am glad to follow their recommendations.

Mr. McKELLAR. I thank the Senator, and agree with what he has said. As a matter of fact, we are compelled to follow them. I think our Army officers and our naval officers are second to none in ability and frankness and devotion to their duties and to their country. I want to say that I have been tremendously impressed by the remarkable ability of these men who have appeared before the Appropriations Committee during this crisis.

INCREASE OF NUMBER OF MIDSHIPMEN

Mr. WALSH. Mr. President——

Mr. McKELLAR. I yield to the Senator from Massachusetts.

Mr. WALSH. Mr. President, the colloquy between the Senator from Oklahoma and the Senator from Tennessee reminds me that there is on the desk a House amendment to a very important bill that can be disposed of in a moment. It is a bill increasing the number of midshipmen at the Naval Academy. It is a Senate bill to which the House has added an amendment. I ask the Chair to lay before the Senate the amendment of the House of Representatives.

The PRESIDENT pro tempore laid before the Senate the amendment of the House of Representatives to the bill (S. 4271) to increase the number of midshipmen at the United States Naval Academy, which was, on page 1, line 9, after "disqualification", to insert:

Provided, That no such candidate shall be eligible for admission who was more than 20 years of age on April 1, 1940.

Mr. WALSH. I move that the Senate concur in the House amendment.

Mr. VANDENBERG. Mr. President, is that the bill which allows first alternates previously appointed to matriculate?

Mr. WALSH. Yes; that is the bill. The House added an amendment to the bill providing, in effect, that those appointed must be between the ages of 16 and 20. The bill as it passed the Senate took care of alternates who had been appointed in 1939 and 1940 who were between the ages mentioned, as we assumed and believed, but the House wanted the age limit set forth and adopted an amendment to that effect; and I approve of it.

Mr. VANDENBERG. How much will the enactment of the bill increase the personnel of the academy?

Mr. WALSH. By about 250, assuming that they all pass the physical examination.

Mr. McKELLAR. What will be the total at the Naval Academy after this accretion?

Mr. WALSH. Between 2,300 and 2,400.

The Senator knows, of course, that there is a law permitting the appointment of five midshipmen by each Senator and Member of the House of Representatives, but the appropriations so far made available have only permitted four such appointments.

Mr. McKELLAR. Yes.

Mr. HILL. Mr. President, I should like to inquire how many men will the adoption of the House amendment eliminate from entering the academy because of insistence on the age provision?

Mr. WALSH. None at all, because the naval officers and the Naval Affairs Committee had assumed that nobody except those within the present age limits could legally anyway be admitted, and the age limit is 16 to 20. The House evidently wanted to make it certain.

Mr. HILL. They wanted to make it clearer that those appointed must come within the usual regular requirement as to age.

Mr. WALSH. Exactly. I do not think the amendment is necessary, but I do not see any harm in it.

The PRESIDENT pro tempore. The question is on the motion of the Senator from Massachusetts that the Senate concur in the House amendment.

The motion was agreed to.

ADDITIONAL COPIES OF HOUSE HEARINGS ON EXCESS-PROFITS TAX BILL

The PRESIDENT pro tempore laid before the Senate House Concurrent Resolution 87, which was read, as follows:

House Concurrent Resolution 87

Resolved by the House of Representatives (the Senate concurring), That, in accordance with paragraph 3 of section 2 of the Printing Act approved March 1, 1907, the Committee on Ways and Means of the House of Representatives be, and is hereby, authorized and empowered to have printed for its use 3,000 additional copies of the hearings held before said committee during the current session on proposed legislation relative to the Excess Profits Taxation Act for 1940.

Mr. HAYDEN. I move that the Senate concur in the House resolution.

The motion was agreed to.

SECOND SUPPLEMENTAL NATIONAL-DEFENSE APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 10263) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1941, and for other purposes.

Mr. McKELLAR. Mr. President, I think I have said all I desire unless there are some further questions to be asked.

Mr. TAFT. Mr. President, I should like to bring out one other fact in connection with the money appropriated for army equipment. Will the Senator state how large an army we are now providing for with relation to equipment?

Mr. McKELLAR. An army of 1,200,000. There are some amounts appropriated in the bill for what are known as critical items, which may be used for a larger army. That is because it takes such a long time to manufacture such articles, but that is not a substantial matter.

Mr. TAFT. I wanted to call attention to General Marshall's testimony, on page 3 of the Senate committee hearings:

The first is to provide about 80 percent of the commercial or essential items of equipment for the protective mobilization-plan force of approximately 800,000 men in ground units, plus 100,000 in the Air Corps and 300,000 replacements.

Or a total of 1,200,000 men.

There is the further provision to provide critical (noncommercial) items of equipment for 800,000 men in addition.

So this bill contemplates an army of 2,000,000 men, as I understand it.

Mr. McKELLAR. No.

Mr. TAFT. That is what I wanted to bring out—if that is the Senator's understanding.

Mr. McKELLAR. That applies only to what are known as critical items. It does not apply to the general number, which is 1,200,000 men.

Mr. President, if there are any other questions, I shall be glad to try to answer them. Does the Senator from New Hampshire desire to ask a question, or does the Senator from Maine desire to do so?

Mr. WHITE. Mr. President——

Mr. McKELLAR. I yield to the Senator from Maine.

Mr. WHITE. I desire to ask a question about an item appearing on page 12. It is a Senate committee amendment appropriating $1,985,000 for additional facilities for the Naval Academy.

I recall that the committee visiting the academy last year—I think the Senator from Massachusetts [Mr. WALSH] was head of the committee—made various recommendations, and I think one of those recommendations was for the acquisition of additional land. Does this appropriation meet the recommendations of that committee of a year ago?

Mr. McKELLAR. It is my understanding that it does. However, part of this $1,985,000 is for the maintenance of additional students. They have to have buildings in which to live, and this money is to be used in that behalf.

Mr. WHITE. But I think the senior Senator from Massachusetts will recall that the visitors' committee of last year definitely recommended the acquisition of a considerable acreage of land, and I wondered whether or not this appropriation met that recommendation.

Mr. WALSH. I do not think so.

Mr. BYRNES. Mr. President, this appropriation does not contemplate the acquisition of land, but does include provision for some additional accommodations for the additional midshipmen made necessary by reason of the passage of the bill.

Mr. WALSH. What is the amount?

Mr. McKELLAR. One million nine hundred and eighty-five thousand dollars. The Senator from Massachusetts may have the figures in his mind.

Mr. WALSH. No. I am under the impression, and I think it is right, that it is more for the purpose of remodeling existing facilities. The laundry has been moved from Bancroft Hall, and the authorities are either going to build a new laundry or they have built one; and the part of the building which was used for laundry purposes has been converted into rooms for the additional midshipmen.

Mr. McKELLAR. There was testimony before our committee that there would have to be additional housing space for the additional cadets who are to come in.

Mr. BYRNES. Mr. President, if the Senator will yield to me——

The PRESIDING OFFICER (Mr. ELLENDER in the chair). Does the Senator from Tennessee yield to the Senator from South Carolina?

Mr. McKELLAR. I do.

Mr. BYRNES. The House provided $750,000 for what they call temporary housing for midshipmen, $220,000 for temporary classroom facilities, and $30,000 for improvements to grounds and walks.

The representation made to the committee which caused the increase to the amount carried in the bill was that by reason of the passage of this bill, with the increased number of midshipmen, it was evident that we should have to have these additional quarters, and that we should not construct temporary housing when more permanent construction could be provided, and that under the expansion of the Navy it was evident that there would for some time be a need for it; but the building the Senator has in mind is to provide temporary classroom facilities at a cost of $220,000, I think.

Mr. WALSH. Mr. President, in answer to the Senator from Maine, I will state that I do not think any of the recommendations for expanding the acreage, or for other improvements recommended by the Board of Visitors, are included in this bill. These are practically all emergency improvements made necessary by reason of the increase in the number of midshipmen.

Mr. BYRNES. The Senator is correct. There is no provision here for the acquisition of land.

Mr. WHITE. If the Senator will permit me, I was not critical of this appropriation, but I know that the committee which visited the academy last year was very profoundly impressed with the necessity for securing additional acreage to meet the expanding needs of the academy. It was very much congested; it is very much congested at this time; and sooner or later—I know the committee thought the sooner the better—additional land must be secured, and I was hopeful that this bill made provision for it.

Mr. BYRNES. No estimate for that purpose was submitted to the Appropriations Committee.

Mr. VANDENBERG. Mr. President, may I ask the Senator just one more question?

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

Mr. McKELLAR. Certainly.

Mr. VANDENBERG. Can the Senator give me this final figure: What will be the over-all total of all national-defense appropriations for the present fiscal year after this bill is passed?

Mr. McKELLAR. I have not those figures. Does the Senator mean for all national defense?

Mr. VANDENBERG. Yes; I mean the total appropriations up to date.

Mr. McKELLAR. For this year?

Mr. VANDENBERG. For the present fiscal year.

Mr. McKELLAR. It is $5,077,073,586, plus this bill.

Mr. ADAMS. Mr. President, I think I can give the Senator the total, including this bill.

Mr. VANDENBERG. That is what I want.

Mr. McKELLAR. I should be glad to have the Senator do so.

Mr. ADAMS. It is $10,165,223,000.

Mr. VANDENBERG. And that is excluding the anticipated appropriations to handle the mobilization of the National Guard and to handle the conscript Army?

Mr. ADAMS. And it does not include the money appropriated to build an additional dam on the Tennessee River.

Mr. McKELLAR. That has already been appropriated.

Mr. VANDENBERG. So the whole thing will ultimately come to approximately $12,000,000,000. The final total will be, conservatively, $12,000,000,000.

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

Mr. McKELLAR. I yield.

Mr. THOMAS of Oklahoma. It is my understanding that when the bills shall have passed which are now under way—that is, the National Guard bill and the conscription bill—the Departments will ask for another billion dollars with which to take care of expenses incident to placing such laws in operation.

Mr. VANDENBERG. Mr. President, if the Senator will permit me, I should like to make an observation in passing.

I know the country's enthusiasm for national defense, and I share it. I think we ought not to forget, however, that it costs money and that, sooner or later, somebody will have to

pay the bills; and the tremendous gap between the resources available to pay the bills and the bills themselves is something that ought to give somebody a little pause.

A few weeks ago we passed what we called a national-defense tax bill, rather simulating the idea that we were paying for national defense. It totaled probably not more than $700,000,000 for the present year, although it exhausted the imagination of the Treasury in finding things to tax. We are now engaged in writing an excess-profits tax bill which, the last time I saw it, would raise just $190,000,000; so the extra tax resources which our imaginations thus far have been able to produce total about $900,000,000, while the appropriations for this fiscal year alone for national defense will run between eleven and twelve billion dollars.

That is not said in any criticism of the defense appropriations. I have voted for every one of them, and I intend to vote for this bill; but I never hear anybody say anything about how we shall pay for these things, and I am merely suggesting that that subject is just as deserving of study and exploration and consideration as any other, because, in the final analysis, the public credit is the first line of national defense.

Mr. McKELLAR. Mr. President, I may say to the Senator from Michigan that, notwithstanding what he has just said, I am quite sure the Senator believes that at this time in our history we ought to prepare ourselves against what we know to be happening to other nations.

Mr. VANDENBERG. I so stated.

Mr. McKELLAR. Then why criticize the method of our defense?

Mr. VANDENBERG. I just stated that I was not criticizing the method of our defense.

Mr. McKELLAR. If we have to defend ourselves, let us appropriate the money and defend ourselves, and not criticize what is done all the way along the line. It will put in the minds of persons in foreign nations, and especially some of their leaders, the idea that we are not all agreed on defense. I know the Senator from Michigan feels that we should spare no expense in the defense of the great country which he and I and all other good people love.

Mr. VANDENBERG. Mr. President, it is a very curious thing to me that a rather modest and simple inquiry as to where we shall get the $11,000,000,000 we are spending should be promptly described as a criticism of the program. I have not criticized the program. In the very statement I made 3 minutes ago I said that I had voted for every dollar of it, that I expect to vote for this bill, and that I favor total defense. I simply took the liberty of referring to the probably relatively inconsequential fact that the protection of the public credit is also part of the national defense, and that we ought to address ourselves to that subject just as carefully as we are addressing ourselves to this one.

Mr. McKELLAR. The credit of the United States has never been better than it is today.

Mr. BRIDGES. Mr. President, no Member of the Senate has been a more ardent supporter of the defense measures pending before this body during the past year and during my entire service in the Senate than have I. I shall also vote for the pending bill. I voted for the selective service and draft bill yesterday and I shall continue this policy, for I do not believe we can afford to gamble with the safety and security of this country. But I do believe we should get the greatest amount of defense for the least amount of money spent. I do not believe we should have "boondoggling" in national defense, as we have had it in some Government projects. I do not know whether we have in any way. I hope not. I think it a very appropriate time to bring up and discuss for just a moment some items appearing in the press this morning and in the CONGRESSIONAL RECORD of yesterday.

I have before me clippings from the New York Herald Tribune of this morning and one from the Washington Post entitled:

CHIP ROBERT'S FIRM GETS $930,000 IN NAVY FEES—ARCHITECTURAL WORK GIVEN TO COMPANY OF NATIONAL DEMOCRATIC SECRETARY

WASHINGTON, August 28.—Fees amounting to more than $930,000 on recently negotiated Navy contracts have been paid to the architectural firm of Robert & Co., of Atlanta, of which Lawrence Wood (Chip) Robert, Jr., secretary of the Democratic National Committee, is president.

I shall read from the Herald Tribune article, and then ask to have it inserted as a part of my remarks, as well as the article from the Washington Post, in order to save the time of the Senate.

The information, placed in the CONGRESSIONAL RECORD today by Representative CARL VINSON, Democrat, of Georgia, chairman of the House Naval Affairs Committee, was given to the committee as the result of an inquiry instituted after Members had questioned Real Admiral Ben Moreell, Chief of the Navy's Bureau of Yards and Docks, in the course of the hearings on the Navy's public-works bill.

The committee voted to ask the Navy Department for all information on the contracts. A list, dated August 27, captioned "Contracts With the Navy (Negotiated) for Engineering and Architectural Services" was received today, in which Robert & Co. had rendered architectural services as follows:

1. Pensacola: Aircraft storehouse, ground-school building, and gymnasium building. Construction cost, $1,060,054; architects' fee, $45,000, or 4.25 percent.
2. Pensacola: Boilers, wells, outside services, etc. Construction costs, $210,615; fee (lump sum), $9,500, 4.5 percent.
3. Black Point, Fla.: General storehouse, aircraft storehouse, and P. & O. storehouse. Costs, $654,564; fee, $18,300, or 2.8 percent.

I might say there is one item listed in the CONGRESSIONAL RECORD that changed the number of projects, which would change the figures mentioned in the newspaper report. I mention that as the one listed at Jacksonville, for a million dollars, with a fee of $30,000. But there is some question in my mind whether that has been awarded or not, due to it having no contract number or date of award. It would bring the total to a different sum than the articles state. The other items are:

4. San Juan, P. R.: Temporary aviation-patrol facilities. Costs, $225,000; fee, $9,560, or 4.5 percent.
5. Pensacola: Officer-of-the-day building. Costs, $30,000; lump sum fee, $1,200, or 4 percent.
6. Black Point, Fla.: Overhaul and repair shop, bachelor officers' quarters, administration building, roads, and services. Costs, $2,668,848; fee, $83,000, or 3.11 percent.
7. Naval air stations, Miami and Jacksonville: Aviation facilities. Cost, $8,982,000; fee, $315,000, or 3.5 percent.
8. Corpus Christi, Tex.: Aviation facilities, $13,028,000. Fee, $450,000, or 3.46 percent.

The total fees awarded to the Robert firm was $931,560, and the total amount contracted for in connection with the projects amounted to $26,859,081, or, if the unlisted one should be added, it would add a million dollars to the total amount, and $30,000 to the fees.

I believe it was an excellent thing for this to be brought out and this disclosure made. With the high sense of political morality which is attributed to the President of the United States by some, now that this matter has come to light, he will probably want to look into the matter; at least, he should.

We passed the Hatch Act, to improve political morals. We have had investigations in the past. Some of them have been "witch hunts" and others have been legitimate. But here is something which on its face smells. In my judgment it is disgraceful to have the secretary of the Democratic National Committee awarded contracts totaling about $27,000,000 with fees totaling almost a million dollars by this administration. The American public deserves to know what influence has been brought to bear by Mr. Robert.

Here on the floor of the Senate I demand of the President of the United States, if he is sincere in what he says about political morality, if he does not approve of this type of dealing and if he wants to keep the defense program clean and above reproach, to request the resignation of Mr. Chip Robert as secretary of the Democratic National Committee at once. In addition it might be wise for the Attorney General of the United States to investigate how Mr. Robert's firm secured these contracts. It would be very interesting to me to know whether bids were sought or whether they were just passed out. I understand they were awarded on a cost-plus basis or some sort of a basis without bids. This is a very serious matter, something which the people of this country in making available billions and billions of dollars—which I approve—for national defense, should know about. The people

want to know whether the money is honestly spent and just how it is utilized. The public is entitled to know who is getting the contracts and how they are getting them. I think this is a subject which is worthy of investigation. These contracts were with the exception of one all awarded before the recent change in the administration of the Navy Department, while Mr. Edison was Secretary of the Navy, and the other shortly after the change. The details were all worked out before the new Secretary took office. I believe the President of the United States will be derelict in his duty unless he demands of Mr. Robert his resignation and demands it without delay.

Mr. President, not to occupy the time of the Senate further, I ask leave to put into the RECORD newspaper articles from the Herald Tribune of New York and the Washington Post of this morning and also a statement which today I have issued to the press upon this subject.

The PRESIDING OFFICER. Is there objection?

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

SENATOR BRIDGES DEMANDS PRESIDENT ASK RESIGNATION OF "CHIP" ROBERT AS SECRETARY OF DEMOCRATIC NATIONAL COMMITTEE AS RESULT OF DISCLOSURE OF NAVY AWARDS TO HIS FIRM

AUGUST 29, 1940.

Senator STYLES BRIDGES, of New Hampshire, today issued the following statement:

"The disclosure in the House Naval Affairs Committee that the firm of Robert & Co., of Atlanta, of which Lawrence Wood 'Chip' Robert, secretary of the Democratic National Committee, is the head, has been awarded 8 out of 66 Navy Department contracts, of an estimated total $26,859,081, and of which the fees estimated to go to Robert & Co. amount to $931,560, constitutes one of the gravest scandals on the escutcheon of the Roosevelt administration.

"The President should immediately demand the resignation of Mr. Robert as secretary of the Democratic National Committee and, in addition, it would seem that an investigation of the entire matter might properly be made by the Attorney General of the United States.

"It is to the credit of CARL VINSON, chairman of the House Naval Affairs Committee, and Democratic Representative from Georgia, as well as Representatives BEVERLY M. VINCENT, of Kentucky, and COLGATE DARDEN, of Virginia, both Democrats, that they should have brought to the public attention these awards to a firm of which the head is an active politician and who holds an important office in the Democratic National Committee.

"It is quite probable that the awards to this firm may constitute a violation of the Hatch Act, if, indeed, other Federal statutes have not been violated. In any event, the procedure by which the Robert firm secured the awards smells to heaven on its face and certainly should be the subject of the most rigorous investigation.

"Mr. Roosevelt's acute sensibilities on the subject of political morality, and his efforts to impart a lily-white character to the administration's defense preparations, must, indeed, have received a severe shock in the disclosure that Mr. Robert, who worked so actively for his nomination for a third term, in Chicago, has been so promptly rewarded.

"He should immediately demand the effacement of Robert from the national campaign picture and should, I believe, join with others in demanding the investigation that is plainly called for and which the public has a right to expect."

[From the New York Herald Tribune of August 29, 1940]

CHIP ROBERT'S FIRM GETS $930,000 IN NAVY FEES—ARCHITECTURAL WORK GIVEN TO COMPANY OF NATIONAL DEMOCRATIC SECRETARY

WASHINGTON, August 28.—Fees amounting to more than $930,000 on recently negotiated Navy contracts have been paid to the architectural firm of Robert & Co., of Atlanta, of which Lawrence Wood (Chip) Robert, Jr., secretary of the Democratic National Committee, is president.

The information, placed in the CONGRESSIONAL RECORD today by Representative CARL VINSON, Democrat, of Georgia, chairman of the House Naval Affairs Committee, was given to the committee as the result of an inquiry instituted after members had questioned Rear Admiral Ben Moreell, Chief of the Navy's Bureau of Yards and Docks, in the course of the hearings on the Navy's public-works bill.

The committee voted to ask the Navy Department for all information on the contracts. A list dated August 27, captioned, "Contracts with the Navy (negotiated) for engineering and architectural services," was received today, in which Robert & Co. had rendered architectural services as follows:

1. Pensacola: Aircraft storehouse, ground-school building and gymnasium building. Construction cost, $1,060,054; architects' fee, $45,000, or 4.25 percent.

2. Pensacola: Boilers, wells, outside services, etc. Construction costs, $210,615; fee (lump sum), $9,500, 4.5 percent.

3. Black Point, Fla.: General storehouse, aircraft storehouse, and P. & O. storehouse. Costs, $654,564; fee, $18,300, or 2.8 percent.

4. San Juan, P. R.: Temporary aviation-patrol facilities. Costs, $225,000; fee, $9,560, or 4.5 percent.

5. Pensacola: Officer of the day building. Costs, $30,000; lump sum fee, $1,200, or 4 percent.

6. Black Point, Fla.: Overhaul and repair shop, bachelor officers' quarters, administration building, roads and services. Costs, $2,668,848; fee, $83,000, or 3.11 percent.

7. Naval Air Station, Miami and Jacksonville: Aviation facilities. Cost, $8,982,000; fee, $315,000, or 3.5 percent.

Total fees to Robert & Co., $931,560, in 8 out of 66 contracts. Total costs of Robert-contracted projects, $26,859,081.

Although the information was placed in the record without official comment by the Naval Affairs Committee, members had previously recalled that President Roosevelt in the early days of the New Deal forced the resignation of Arthur Mullen and Bruce Kremer as Democratic national committeemen from Nebraska and Montana, respectively, because they had established law offices in Washington and were practicing before Government departments.

Mr. Robert recently was reelected secretary of the Democratic National Committee at the organizational meeting for the 1940 campaign, which took place after Edward J. Flynn had been chosen to succeed James A. Farley as chairman.

In the hearings on the Navy's public-works bill Admiral Moreell disclosed that Mr. Robert's firm had received engineering contracts in the Navy's $24,000,000 project at Corpus Christi, Tex., and the $20,000,000 expansion at Jacksonville, Fla.

Representative BEVERLY M. VINCENT, Democrat, of Kentucky, said he had heard "complaints" that the contracts were not being awarded "fairly." Another committee member, Representative COLGATE DARDEN, Democrat, of Virginia, said that he did not believe the secretary of the Democratic National Committee should have his business firm bid on Government contracts.

"It just isn't good policy," Representative DARDEN remarked. "It doesn't look good to the man in the street, who thinks the politician's position had something to do with his firm receiving the contract."

One committee member accused the Navy Department of trying to cover up the information and said if it wasn't forthcoming he would air the matter on the floor of the House.

In requesting Admiral Moreell to file the information which was forthcoming today, Chairman VINSON said: "You want to be just like Caesar's wife all the time. You want to be above any criticisms or suspicion because we all know that every contractor who does not get a contract is going to make a mountain of a mole hill. I have implicit confidence in you and so has Congress, and we expect you to run the Navy's business in a manner that justifies that confidence."

[From the Washington Post of August 29, 1940]

"CHIP" ROBERT'S FIRM GETS BIG SHARE OF DEFENSE FEES

Chairman CARL VINSON (Democrat), of Georgia, of the House Naval Affairs Committee, yesterday inserted in the CONGRESSIONAL RECORD statistics on negotiated Navy Department contracts showing that Robert & Co., Atlanta, got 8 out of 66 awards.

The estimated cost of the eight projects involved, the compilation showed, was $26,859,081, and the Robert & Co. fees totaled $931,560, representing percentages ranging from 2.8 to 4.5 percent of individual contracts.

Robert & Co. is the engineering and architectural firm of Lawrence Wood (Chip) Robert, secretary of the Democratic National Committee.

The House Naval Affairs Committee called for the information on Robert's contracts after two Members, Representatives BEVERLY M. VINCENT (Democrat), Kentucky, and COLGATE DARDEN (Democrat), Virginia, questioned Rear Admiral Ben Moreell, Chief of the Navy's Bureau of Yards and Docks, about the negotiated contracts of the Navy Department.

The Robert & Co. contracts were:

1. Pensacola, Fla.: Aircraft storehouse, ground school building, and gymnasium building. Cost, $1,060,054; fee, $45,000; 4.25 percent.

2. Pensacola, Fla.: Boilers, wells, outside services, etc. Construction cost, $210,615; fee (lump sum), $9,500; 4.5 percent.

3. Black Point, Fla.; General storehouse and P. & O. storehouse. Cost, $654,564; fee, $18,300; 2.8 percent.

4. San Juan, P. R.: Temporary aviation-patrol facilities. Cost, $225,000; fee, $9,560; 4.5 percent.

5. Pensacola, Fla.: Officer of the day building. Cost, $30,000; lump-sum fee, $1,200; 4 percent.

6. Black Point, Fla.: Overhaul and repair shop, bachelor officers' quarters, administration building, roads, and services. Cost, $2,668,848; fee, $83,000; 3.11 percent.

7. Naval air station, Miami and Jacksonville: Aviation facilities. Cost, $8,982,000; fee, $315,000; 3.5 percent.

8. Corpus Christi, Tex.: Aviation facilities. Cost, $13,028,000; fee, $450,000; 3.46 percent.

The PRESIDING OFFICER. The clerk will state the first amendment of the Committee on Appropriations.

The first amendment of the Committee on Appropriations was, under the heading "Title I—War Department—Military Activities", on page 2, line 9, after the word "exceed", to strike out "for any bureau or office more than 10 percent of the

amount heretofore appropriated therefor for personal services for the fiscal year 1941" and insert "one-fourth of 1 percent of the total amount of cash appropriated for the Army by this act", so as to read:

For additional amounts for appropriations for the Military Establishment, fiscal year 1941, to be supplemental, and in addition, to the appropriations under the same heads in the Military Appropriation Act, for the fiscal year ending June 30, 1941, including the objects and subject to the limitations and conditions specified therein, except as otherwise provided herein, and including under each appropriation the employment of persons and the procurement of supplies and services, printing, and binding, and communication service, at the seat of government and elsewhere (the amount for personal services at the seat of government, other than for field service employees, shall not exceed one-fourth of 1 percent of the total amount of cash appropriated for the Army by this act), as follows:

The amendment was agreed to.

The next amendment was, under the subhead "Military posts", on page 3, line 16, after the word "thereto", to strike out "$70,001,915" and insert "$73,001,915"; in line 20, after the word "of", to strike out "$12,000,000" and insert "$14,000,000"; in line 21, after the word "available", to insert a colon and "*Provided*, That of the foregoing cash appropriation and contract authorization $3,000,000 in cash and $2,000,000 in contract authorization shall be available for storage for aviation gasoline at various locations"; and on page 4, line 2, after the word "prosecuted", to strike out "with the approval by the Attorney General prior to his approval" and insert "prior to the approval by the Attorney General", so as to read:

Construction of buildings, utilities, and appurtenances at military posts: For construction and installation of buildings, flying fields, and appurtenances thereto, $73,001,915, and, in addition, the Quartermaster General, when authorized by the Secretary of War, may enter into contracts prior to July 1, 1941, to an amount not in excess of $14,000,000, for the purposes for which this appropriation is available: *Provided*, That of the foregoing cash appropriation and contract authorization $3,000,000 in cash and $2,000,000 in contract authorization shall be available for storage for aviation gasoline at various locations: *Provided further*, That all construction for the Military Establishment which has been authorized, or may be authorized prior to July 1, 1942, may be prosecuted prior to the approval by the Attorney General of title to the lands upon which such construction is to be placed, to such extent as may be deemed necessary or advantageous by the Secretary of War.

The amendment was agreed to.

The next amendment was, under the heading "Title II—Navy Department—Naval Establishment, Office of the Secretary," on page 8, line 9, after the words "Miscellaneous expenses" and the comma, to strike out "$50,000" and insert "$136,000, including not to exceed $11,700 for allowances for living quarters, including heat, fuel, and light, as authorized by the act approved June 26, 1930 (5 U. S. C. 118a), and not to exceed $2,167 for telephone, telegraph, and teletype rentals and tolls, telegrams, radiograms, and cablegrams."

The amendment was agreed to.

The next amendment was, under the subhead "Bureau of Navigation," on page 8, line 19, after the numerals "1941", to strike out "$3,189,780" and insert "$3,689,780", so as to read:

Naval Reserve, including training for Reserve midshipmen, to be expended without regard to the limitations specified under this head in the Naval Appropriation Act for the fiscal year 1941, $3,689,780.

The amendment was agreed to.

The next amendment was, under the subhead "Bureau of Ordnance," on page 9, line 6, after the words "Ordnance and ordnance stores, Navy" and the comma, to strike out "$60,293,000" and insert "$67,293,000, and, in addition, the Secretary of the Navy is authorized, prior to July 1, 1941, to enter into contracts to an amount not in excess of $15,000,000 for the purposes for which this appropriation is available."

The amendment was agreed to.

The next amendment was, on page 9, after line 13, to insert:

BUREAU OF MEDICINE AND SURGERY

Medical department, $1,350,000.

The amendment was agreed to.

The next amendment was, under the subhead "Bureau of Yards and Docks," on page 9, after line 16, to insert:

MAINTENANCE, BUREAU OF YARDS AND DOCKS

For maintenance, Bureau of Yards and Docks, including the purchase of 12 motor busses at a cost not to exceed $4,500 each, $2,000,000: *Provided*, That the limitation fixed in the Naval Appropriation Act for the fiscal year 1941, approved June 11, 1940, for expenditures for the maintenance, operation, and repair of motor-propelled passenger-carrying vehicles, and so forth, is increased during the fiscal year 1941 from $100,000 to $110,000.

The amendment was agreed to.

The next amendment was, under the subhead "Public Works, Bureau of Yards and Docks", on page 10, line 5, after the word "respectively", to strike out "$37,750,000" and insert "$48,315,000", so as to read:

Toward the following public-works and public-utilities projects, including the purchase of necessary land, at a cost not to exceed the amount stated for each project, respectively, $48,315,000, which amount, together with unexpended balances of appropriations herein and heretofore made under this head, shall be disbursed and accounted for in accordance with existing law and shall constitute one fund.

The amendment was agreed to.

The next amendment was, on page 10, line 16, after the figures "$35,000", to insert a semicolon and "miscellaneous shipbuilding facilities, $465,000", so as to read:

Navy Yard, Charleston, S. C.: Outside power connection to public-utility company, $50,000; services to fitting-out pier, $35,000; miscellaneous shipbuilding facilities, $465,000.

The amendment was agreed to.

The next amendment was, on page 12, after line 12, to insert:

Naval Academy, Annapolis, Md.: Additional facilities, $1,985,000.

The amendment was agreed to.

The next amendment was, on page 14, line 4, after the figures "$130,000", to insert a semicolon and "temporary storehouses, $500,000", so as to read:

Destroyer base, San Diego, Calif.: Brig and marine guard building and accessories, $80,000; barracks and mess-hall building and accessories, $450,000; shop buildings, $220,000; cruiser graving dry-dock and accessories, $3,000,000; improvement of power plant and distributing systems, $130,000; temporary storehouses, $500,000.

The amendment was agreed to.

The next amendment was, on page 14, line 9, after the figures "$25,000", to insert "improvement of power plant, $450,000; improvement of sewage-disposal system, $125,000; and temporary construction and facilities for additional enlisted personnel, $1,750,000", so as to read:

Naval training station, Great Lakes, Ill.: Outside power connection to public-utility company, $25,000; improvement of power plant, $450,000; improvement of sewage-disposal system, $125,000; and temporary construction and facilities for additional enlisted personnel, $1,750,000.

The amendment was agreed to.

The next amendment was, on page 14, after line 12, to insert:

Naval training station, Newport, R. I.: Temporary construction and facilities for additional enlisted personnel, $800,000.

The amendment was agreed to.

The next amendment was, on page 14, after line 15, to insert:

Naval training station, Norfolk, Va.: Temporary construction and facilities for additional enlisted personnel, $1,950,000.

The amendment was agreed to.

The next amendment was, on page 14, after line 18, to insert:

Naval Training Station, San Diego, Calif.: Temporary construction and facilities for additional enlisted personnel, $1,250,000.

The amendment was agreed to.

The next amendment was, at the top of page 15, to insert:

Naval ammunition depot, Charleston, S. C.: Ammunition storage facilities, $1,500,000.

The amendment was agreed to.

The next amendment was, on page 17, line 5, after the figures "$750,000", to insert a semicolon and "extension of ad-

ministration building, $200,000; extension of barracks for school for torpedo men, $150,000", so as to read:

Naval torpedo station, Newport, R. I.: Extension of fuze and primer building, $100,000; administration building, $280,000; extension of dispensary building, $20,000; extension of sea wall, $55,000; magazine buildings $5,000; coal-handling equipment for power plant, $50,000; reconstruction of yardcraft building and improvement of water front $105,000; alcohol and paint storehouse, $20,000; torpedo assembly plant and accessories, $750,000; extension of administration building, $200,000; extension of barracks for school for torpedo men, $150,000.

The amendment was agreed to.

The next amendment was, on page 23, line 12, after the figures "$10,000", to insert a semicolon and "repairs and replacements to make good storm damage of August 12, 1940, $1,750,000; additional construction for increase in Marine Corps personnel, $2,000,000", so as to read:

Marine barracks, Parris Island, S. C.: Power and ice-plant building and accessories and equipment, $500,000; outside power connection to public-utility company, $10,000; magazines, $10,000; repairs and replacements to make good storm damage of August 12, 1940, $1,750,000; additional construction for increase in Marine Corps personnel, $2,000,000.

The amendment was agreed to.

The next amendment was, on page 24, line 10, after the word "select", to strike out "$750,000" and insert "$250,000", so as to read:

Facilities for Reserve midshipmen at such location as the Secretary of the Navy, with the approval of the President, may select, $250,000.

The amendment was agreed to.

The next amendment was, on page 24, after line 20, to insert:

Receiving barracks for crews of ships going into commission at various locations, $2,200,000.

The amendment was agreed to.

The next amendment was, on page 24, after line 22, to insert:

Storage for aviation gasoline at various locations, $2,500,000.

The amendment was agreed to.

The next amendment was, under the subhead "Bureau of Aeronautics", on page 25, line 18, after the word "plants", to insert "and outfits for messes of aviation cadets and bachelor officers at air stations"; in line 19, to strike out "$170,000,000" and insert "$180,000,000"; in line 23, after the word "new", to strike out "airplanes" and insert "aircraft"; and in line 24, after the figures "$375,000,000", to insert a colon and the following additional proviso: "*Provided further*, That not to exceed $1,000,000 of the total amount herein appropriated and available for contractual obligation may be used for the procurement of nonrigid lighter-than-air craft", so as to read:

Aviation, Navy, including plant expansions and facilities in private plants and outfits for messes of aviation cadets and bachelor officers at air stations, $180,000,000: *Provided*, That in addition to the amount herein appropriated, the Secretary of the Navy may prior to July 1, 1941, enter into contracts for production and purchase of new aircraft and equipment, spare parts, and accessories in an amount not to exceed $375,000,000: *Provided further*, That not to exceed $1,000,000 of the total amount herein appropriated and available for contractual obligation may be used for the procurement of nonrigid lighter-than-air craft.

The amendment was agreed to.

The next amendment was, under the subhead "Replacement of naval vessels", on page 28, line 8, after the words "approval of", to strike out "this act" and insert "the Second Supplemental National Defense Appropriation Act, 1941", so as to read:

The first paragraph of section 2 (b) and subdivision (1) of such section 2 (b) of the act approved June 28, 1940 (Public, No. 671, 76th Cong.), are hereby amended to read as follows:

"(b) After the date of approval of the Second Supplemental National Defense Appropriation Act, 1941, no contract shall be made for the construction or manufacture of any complete naval vessel or any portion thereof, under the provisions of this section or otherwise, unless the contractor agrees, for the purposes of section 3 of the act of March 27, 1934 (48 Stat. 505; 34 U. S. C. 496), as amended—

"(1) to pay into the Treasury profit in excess of 8 percent (in lieu of the 10 percent specified in such sec. 3) of the total contract prices of such contracts within the scope of this subsection as are completed by the particular contracting party within the income taxable year."

The amendment was agreed to.

Mr. McKELLAR. Mr. President, in view of the adoption by the Senate yesterday of what was known as the Overton-Russell amendment, the provision in lines 22, 23, and 24, on page 28, as proposed to be amended, should be stricken out, and I ask unanimous consent that that be done. As proposed to be amended the provision would read:

The first and second provisos in section 8 (b) of the act approved June 28, 1940 (Public, No. 671), are hereby repealed.

Mr. VANDENBERG. What page?

Mr. McKELLAR. On page 28.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The clerk will state the next amendment of the committee.

The next amendment was, under the subhead "Navy Department," on page 29, at the end of line 4, to strike out "$13,680" and insert "$20,000", so as to read:

Salaries: For compensation for personal services in the District of Columbia, as follows:

Office of the Secretary of the Navy, $20,000.

The amendment was agreed to.

The PRESIDING OFFICER. That completes the committee amendments.

Mr. McKELLAR. Mr. President, I have a number of amendments which the committee has directed me to offer. The first one I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 4, line 7, it is proposed to insert the following:

Provided further, That the Secretary of War may, with respect to contracts for public works for the Military Establishment entered into upon a cost-plus-a-fixed-fee basis out of funds appropriated for the fiscal year 1941, or authorized to be entered into prior to July 1, 1941, waive the requirements as to performance and payment bonds of the act approved August 24, 1935 (49 Stat. 793; 40 U. S. C. 270a).

Mr. VANDENBERG. What is the purpose of that amendment?

Mr. McKELLAR. In the cost-plus contracts, plus a fee, an examination has to be made before the payment is made, and there is no necessity for bonds at all in connection with them. The amendment will save the Government the amount of the cost of the bonds.

Mr. HAYDEN. The testimony before the committee was that the probable saving would be somewhere between $400,000 and $800,000.

Mr. VANDENBERG. Does this provide for performance bonds?

Mr. McKELLAR. Yes.

Mr. VANDENBERG. Why is it that the performance bonds are not necessary? Perhaps I am dull.

Mr. HAYDEN. Suppose that a contract is let to the lowest bidder. He may be qualified to do the work or he may not, but if he can get a bonding company to give him a bond he obtains the contract. If it is to be a cost-plus-a-fixed-fee contract, three responsible firms able to carry out the contract are called upon to submit proposals and the work is awarded to one of them.

A representative of the bonding companies came before our committee and it was developed that on the ordinary competitive-bid contract they asked a premium of 1½ percent. They agreed to make a bond on cost-plus-a-fixed-fee contracts for four-tenths of 1 percent. Certainly they would not cut the amount from 1½ percent to four-tenths of 1 percent if there was any real risk involved, and the committee thought we had better save the money.

Mr. VANDENBERG. The rule is, then, that under the noncompetitive system of bidding the financial responsibility of the bidder is explored in advance and considered to be conclusive?

Mr. HAYDEN. Exactly.

Mr. McKELLAR. If he fails to carry on his contract, the Government is right there with its agents to make examination and to prevent the Government from having any loss.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee on behalf of the committee.

The amendment was agreed to.

Mr. McKELLAR. On behalf of the committee, I send another amendment to the desk, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 6, after line 7, it is proposed to insert the following:

RESERVE OFFICERS' TRAINING CORPS

Funds appropriated for Organized Reserves for the fiscal year 1941 shall be available for the pay and allowances of members of the Officers' Reserve Corps who may have been or may hereafter be detailed for duty in connection with the Reserve Officers' Training Corps.

Mr. McKELLAR. When these officers are called for duty it is manifest that they should be paid, and that is all the amendment authorizes.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee on behalf of the committee.

The amendment was agreed to.

Mr. McKELLAR. On behalf of the committee I offer another amendment which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 7, after line 19, it is proposed to insert the following:

SEC. 101. The first sentence of the seventh paragraph of section 127a, National Defense Act, as amended by section 20 of the act of June 15, 1933 (48 Stat. 161), is hereby amended to read as follows:

"In time of war or national emergency determined by the President any officer of the Regular Army may be appointed to higher temporary grade without vacating his permanent appointment."

Mr. McKELLAR. That has been done in all crises of this kind, and we merely reenact previous law.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee on behalf of the committee.

The amendment was agreed to.

Mr. McKELLAR. On behalf of the Committee on Appropriations I now send another amendment to the desk and ask that it be stated. I ask that the clerk also read the pencil interlineation in the amendment.

The LEGISLATIVE CLERK. On page 7, after line 19, it is proposed to insert the following:

SEC. 102. The Secretary of War may allocate to the Corps of Engineers any of the construction works in their usual line required to carry out the national-defense program and may transfer to that agency the funds necessary for the execution of the works so allocated.

Mr. VANDENBERG. I wish to inquire if that is not a complete change in procedure in respect to Army construction work.

Mr. McKELLAR. The Quartermaster Corps of the Army has charge of construction work generally, but the Corps of Engineers is at times in a better position to do some kinds of construction work than is the Quartermaster Corps, and has done such work heretofore; so the amendment merely gives to the President authority to allot funds to the Corps of Engineers when it is believed they can do the work better.

Mr. VANDENBERG. Am I incorrectly informed that heretofore whenever this particular transfer has been sought to be made, it has always been declined or refused?

Mr. McKELLAR. I cannot say. It cannot be done now unless provision is now made, because there is no law providing for the allotment of funds. The amendment gives the President the power to allot funds in those cases where the Corps of Engineers can do the particular kind of work better or more expeditiously than the Quartermaster Corps can do it. That is all the amendment provides. The Secretary of War has charge of both the Quartermaster Corps and the Corps of Engineers.

Mr. VANDENBERG. Does that mean that funds appropriated to the Quartermaster Corps are transferred?

Mr. McKELLAR. They could be transferred and used interchangeably with the Corps of Engineers.

Mr. VANDENBERG. My only interest in the matter was that I saw a memorandum which indicated that this sort of thing had been attempted repeatedly heretofore, and that the experts in the department themselves had always heretofore succeeded in stopping the transfer of the construction responsibilities from the Quartermaster Department to the Corps of Engineers.

Mr. McKELLAR. I cannot say anything about that. Under the amendment the Secretary of War is given that power. The Secretary of War should certainly have the power to allot funds either to the Quartermaster Corps or to the Corps of Engineers if the work can be done better by the one or the other organization.

Mr. VANDENBERG. That sounds reasonable and persuasive.

Mr. McKELLAR. I thank the Senator.

Mr. VANDENBERG. I was simply challenged by the fact that, as I understand, heretofore there has always been a rather severe controversy rotating around this subject, and that this is the first time the Quartermaster Corps has lost and the first time the Corps of Engineers has won.

Mr. McKELLAR. This is one of many controversies that arise in the various departments.

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

Mr. McKELLAR. I yield.

Mr. WHITE. Does the proposal mean that funds may be transferred to the Corps of Engineers only for the purposes for which they were made available to the Quartermaster Corps?

Mr. McKELLAR. That is correct, as I understand.

Mr. WHITE. So the purpose of an expenditure will not be changed.

Mr. McKELLAR. Not at all.

Mr. WHITE. But only the person or the agency which may expend the funds will be changed.

Mr. McKELLAR. That is correct.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee [Mr. McKELLAR] on behalf of the committee.

The amendment was agreed to.

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

Mr. McKELLAR. I yield.

Mr. WALSH. Is there a provision in the bill which repeals the section of law now in operation which limits to 7 and 8 percent the profits of airplane manufacturers and shipbuilders who contract with the Government for Government planes and ships?

Mr. McKELLAR. If the Senator will look on page 28 of the bill, he will find a House provision which changes that.

Mr. BYRNES. There is no question about it.

Mr. WALSH. Does the House language approved by the Senate committee make any change in the existing law with reference to the margin of profit that can be made on Government contracts for airplanes and for naval vessels?

Mr. McKELLAR. It does; but the Senator from Georgia [Mr. RUSSELL] yesterday——

Mr. WALSH. This bill repeals the provision of law making 8 percent and 7 percent the limit of profit on Government contracts for naval vessels and naval planes, and substitutes 12 percent. Am I correct in that statement?

Mr. ADAMS. I think the answer can be made very briefly. The bill as it came from the House raised the limit of profit on airplanes from 8 to 12 percent.

Mr. WALSH. Mr. President, the original law which was passed in 1934 limited to 10 percent the profit on airplanes and 8 percent on naval vessels. That law was passed in 1934, when there was no authority to make Government con-

tracts for naval vessels or for airplanes, except by competitive bidding. That has been the law up to this year.

In 1939, last year, in an appropriation bill, without any discussion by Congress, and certainly without my knowledge, the figure of 10-percent profit on airplanes was changed to 12 percent. That was before the European war began.

The testimony before the Committee on Naval Affairs was that it was not known how that change happened to be made. The officials of the Navy did not ask for it, but they said it was put in the bill in the nature of a rider. It was also testified that they had no trouble—I am speaking about a year ago—in getting all the airplane contracts they wanted, at 10 percent profit. So until the naval expansion measure was passed this year, 12 percent profit was permitted on airplane construction and 10 percent for the building of naval vessels.

The Committee on Naval Affairs said:

> In this bill we are giving sweeping powers to the Navy Department, and the War Department has similar powers. We are doing away with all competitive bidding of every kind and description, and we are providing for two kinds of contracts; one a negotiated contract, where the sum that will be paid for the building of a certain number of planes or for naval vessels is agreed upon.

The other is a contract which says:

> We will pay all the costs, whatever they are, and give you a profit besides.

In June, when we were confining these extraordinary powers to an emergency, and there was talk of possible later conscription of the youth of the country, we said:

> We have now removed competitive bidding in the case of contracts for building naval vessels or airplanes. How can we possibly retain the present law, which gives a profit of 12 percent in the case of airplane manufacturers and 10 percent in the case of builders of naval vessels?

So we provided in the law that when a contract is entered into without competitive bidding, but by mutual agreement on a fixed price, the profit shall be 8 percent; and that when a contract is entered into with the understanding that the Government will pay all the costs the profit shall be 7 percent.

That is the law at the present time. The provision in the bill repeals that law, and, as I understand, goes back to 12 percent for everybody, including airplane manufacturers and naval-vessel builders. I ask the Senator from Colorado whether or not my understanding is correct.

Mr. ADAMS. No; it applies only to airplane manufacturers.

Mr. WALSH. What happens to naval vessels?

Mr. ADAMS. I understand there is no change in that respect.

Mr. WALSH. Is that correct?

Mr. BYRNES. There is no change whatever in the contracts as to naval vessels. The Navy officials represented to the committee that they were entirely satisfied.

Mr. WALSH. I am glad to hear that. They have always so represented. Naval-vessel builders have accepted the situation. In view of the fact that there is no more competitive bidding, and that the Government is to pay all the costs, including part of the salaries of their officers, naval shipbuilders have said they are satisfied with 7 percent. The airplane manufacturers said, "We are not satisfied. We want the old 12 percent." Mind you, they had only 10 percent from 1934 to 1939, when there was competitive bidding, when every manufacturer knew about every contract which the Government intended to make, and had a chance to set his figures.

It is now proposed, the day after we have voted to draft for 1 year the lives of American youth, to repeal a law limiting the profits of airplane manufacturers to 7 and 8 percent, and to increase the profit to 12 percent. What will the country say about such action? How can it be justified?

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

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Does the Senator from Massachusetts yield to the Senator from Georgia?

Mr. WALSH. I yield.

Mr. RUSSELL. I am not at all sure that the effect of the provision in the bill before us is not to remove any limitation whatever.

Mr. WALSH. Even on naval vessels?

Mr. RUSSELL. On the profits which may accrue to the manufacturers of airplanes. The section which it is proposed to amend limits them to 8 percent. The law which limits them to 8 percent repealed all laws in conflict with the 8 percent. The provision in the House bill removes the 8-percent limitation, and does not undertake to revive the old 12-percent limitation in express terms. It may be done impliedly; but to my mind there is some question as to whether or not there would be any limitation on airplane profits if the provision in the House bill should be agreed to.

Mr. WALSH. I understand that the Senator is not in sympathy with the provision in the House bill.

Mr. RUSSELL. No; I am not in sympathy with the provision in the House bill. I think the amendment offered yesterday to the conscription bill by the Senator from Colorado [Mr. ADAMS], equalizing the War and Navy Departments with respect to the limitation of 8 percent, should apply in all cases.

Mr. WALSH. Let us know what we face when we go back home and the history of this session is reviewed. We draft the boys, and say to them "Go to camp, wherever you are sent." In my town 1,000 will be registered, and 40 will be taken; yet within 24 hours we proceed to increase the profits of those who are building naval vessels and aircraft which may be used in a war.

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

Mr. WALSH. I yield.

Mr. LA FOLLETTE. If one of the 40 boys who are to be taken from the home town of the Senator from Massachusetts happens to be earning $120 a month, the effect of taking him for a year will be to levy a 75-percent tax, so to speak, upon his income. A tax of 75 percent will be levied upon him, and it is now proposed to increase the ceiling on the profits of airplane manufacturers at least to 12 percent. If the construction of the Senator from Georgia is correct, all limitation would be removed.

Mr. WALSH. Exactly.

Let me add that in the naval legislation of this year there is a provision authorizing the Department to negotiate without competitive bidding in the building of bases throughout the country. Contracts have been let for the building of large naval bases in Puerto Rico, the Canal Zone, Hawaii, and on the coasts of this country, at a profit of from 4 to 6 percent. Contractors are glad to have the work at a profit of 4 or 5 percent. The statute established a limitation as high as 10 percent in such negotiations, and the record shows that every single one of the base contracts has been accepted on the basis of a profit of between 4 and 6 percent. That is what happened when authority was given to enter into such contracts and proceed to build the bases.

The airplane manufacturers have very properly complained about the attitude of subcontractors in refusing to accept 8-, 10-, or 12-percent profit, because they are so rushed with private and foreign orders that they have been able to raise their prices so as to make in excess of 18-percent profit on foreign and private orders.

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

Mr. WALSH. I yield.

Mr. TAFT. Will the Senator explain how the percentage is arrived at? On what is it based? How is the percentage of profit measured? Is it a percentage on the property involved? Is it a percentage of the gross?

Mr. WALSH. The Navy Department negotiates a contract with an airplane manufacturer for a given number of planes. Let us say the price in the contract is $10,000,000. The Government says, "You will build this number of planes for $10,000,000. We will give you, on top of that, 8-percent profit for yourself." That is one form of contract.

Mr. TAFT. I do not quite see the justice of it. In some industries there may be a tremendous capital investment,

and if the percentage were figured on the contract price it would give a very small return on the capital. In other cases it might give a very much larger return on the capital. I do not see the justice of the particular standard of profit limitation.

Mr. WALSH. What would the Senator make it—anything they wanted?

Mr. TAFT. I do not know. It may be entirely correct as it is. Eight percent may be correct, or 12 percent may be correct. A man may have $1,000 invested, on which he receives a return of 6 percent. It does not follow that when 6-percent profit is allowed on the gross price of a contract, it is in any way comparable to the return on the money invested. It might be that in the case of an airplane manufacturer 10 percent would give him only 6-percent return on the money invested in the business. On the other hand, in making tanks possibly 10-percent profit would give a 10-percent return.

It seems to me that what the Senator suggests is subject to some criticism.

Mr. WALSH. Does not the Senator think that before the contractor would agree to 10 percent he would consider the return on his investment, his costs, and everything else?

Mr. TAFT. I am asking the Senator how it is done.

Mr. WALSH. I say that is the way it is done.

Mr. TAFT. The only question I raise is whether or not, when a man receives 12-percent profit on a contract, it really means a return of 12 percent. It may sound like a tremendous profit, and yet if it is 12 percent on the gross price of the contract it may have very little relation to the return on the property invested, or the risk involved.

Mr. WALSH. The Senator will agree that if the Navy Department enters into a contract for a given number of airplanes, an amount must be reached which is agreeable to both sides.

Mr. TAFT. Yes.

Mr. WALSH. If that amount is reached, does not the Senator think 8-percent profit is reasonable, fair, and even generous?

Mr. TAFT. I have not the faintest idea, and I do not see how I could tell.

The Senator has made one point which I think is perfectly justified. If 10 percent was reasonable and acceptable before the war, I do not quite see why it should not be sufficient now. That point I understand, but I do not quite understand the justice of a limitation of that particular kind.

Mr. WALSH. The other form of contract which is in general use is that of the Navy Department—and I suppose it is true of the War Department so far as airplanes are concerned, under which the Department says in effect, "Will you build a hundred planes for the Navy Department?" "Yes; I will." "Let us have an understanding; I will not bind you to any price, but I will pay you the exact cost to you, and I will give you 10-percent profit on top of that." Is that a fair contract?

Mr. TAFT. That would seem to me to be perfectly fair.

Mr. WALSH. This bill proposes to change that form of contract so as to make the profit 12 percent.

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

Mr. WALSH. I yield.

Mr. OVERTON. As I understand the operation of the law, it applies not only to the principal contractor but applies also to the subcontractor. I will give an illustration, and I will ask the Senator from Massachusetts if I am not correct. Say that a contract is for a million dollars, and a subcontract is let for $100,000. The subcontractor proceeds to execute the subcontract. It costs him $150,000; he loses $50,000, and for that he has no claim against the Government at all. Let us suppose, on the other hand, that he fulfills the subcontract at a cost to himself of $80,000. Then, the principal contractor pays the subcontractor $100,000, but the Government steps in and says "You are entitled to $80,000, the amount the subcontract cost you, plus 8 percent or $8,640, and you shall pay back into the Treasury the difference between the $100,000 and the $88,640. That is the way I understand it, and it was the way it was explained to us.

Mr. WALSH. Perhaps we are in accord. As I understand, the chief contractor—if I may use that word—in the case of erecting a building, for instance, knows that he has to have a subcontractor for plumbing, a subcontractor for heating, a subcontractor for glass, and for other things. Each determines how much money he wants for his particular part of the job. Then all the figures are added together and the man who assembles and builds the structure, the chief contractor, fixes his amount, and that is the amount of the contract. He says to the Government, "I want that amount," and he gets 8 percent on it. There is no negotiation with the subcontractor as to 8 percent or 6 percent or 7 percent; he can fix whatever price he wants to fix; 20 percent, if he desires; and, because he fixes 18-percent profit or more on the materials he furnishes, when the chief contractor goes to the Government the price is so exorbitantly high that the Government cannot accept the bid and says, "You have been building these planes right along for this price; why are you bidding—because we are doing away with competitive bidding—at such an advanced price? We are willing to give you 8 percent upon it." Do I make plain to the Senator what I understand to be the process?

Mr. OVERTON. I do not know that I exactly follow the Senator, but, as I understand, the Vinson-Trammell Act applies not only to the contractor but to all subcontractors under the main contract; they can make a certain percentage and no more. If they lose on the contract, it is a dead loss to them; if they should make more than 8 percent, they would have to repay the difference above that into the Treasury whether they were contractors or subcontractors.

Mr. WALSH. The Vinson-Trammell law applies only to competitive-bidding contracts. There is an entirely different situation when the contractor takes a chance of loss. Here are contracts where there is no loss, where it is impossible to have a loss, where there is a hand-out from the Government of 8 percent under some circumstances and of 7 percent under others.

Mr. OVERTON. That is a negotiated contract, is it not?

Mr. WALSH. Yes; a negotiated contract or a cost-plus contract. It is proposed now because we are in an emergency, because we are in fear of war, because we want to increase our defenses, that we shall increase their profits and remove the chance of loss, do away with competitive bidding, and give them the same profit that we gave them at the time when they were subjected to competitive bidding and took all the loss themselves.

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

Mr. WALSH. I yield.

Mr. McKELLAR. The matter which the Senator objects to is found on page 28 and was put in the bill by the House.

Mr. WALSH. I understand that.

Mr. McKELLAR. The Senator is talking about a very important matter, one which appealed to me very strongly, I will say to him.

Mr. WALSH. I would expect it to do so.

Mr. McKELLAR. But we have not finished the committee amendments, and I am wondering in that connection if the Senator has an amendment to this bill which he intends to offer to rectify the trouble which he seeks to cure.

Mr. ADAMS. Mr. President, if the Senator will allow me, I have suggested an amendment which I think will meet the point raised by the Senator from Massachusetts [Mr. WALSH].

Mr. McKELLAR. Very well, but I should like to conclude with the committee amendments.

Mr. WALSH. Mr. President, the Senator has been very indulgent and I ask his pardon, but I understood there was no amendment on this subject to be offered and I had expected members of the Appropriations Committee, having the point of view they have, to offer such an amendment, else I would not have interrupted the Senator. I am happy to know

that the Senator from Colorado has an amendment that will correct the situation I have been discussing.

Mr. ADAMS. Mr. President, let me ask if what the Senator has in mind would not be accomplished by striking out on page 28 all beginning with line 4 down to and including line 21. That would strike out the whole provision.

Mr. WALSH. Will the Senator offer such an amendment?

Mr. ADAMS. I will be glad to.

Mr. WALSH. Again I ask the indulgence of the Senator from Tennessee. I wanted to find out what the sentiment of the committee was. I could not understand there being a unanimous report recommending the acceptance of the House language.

Mr. McKELLAR. It is a matter which was very thoroughly discussed and there was considerable differences of opinion.

Mr. WALSH. Therefore, the minority viewpoint in the committee will be presented. I thank the Senator, and I am sorry that I interrupted. As a matter of fact, I wanted to leave the Chamber at 2 o'clock, but I find now I ought not to do so.

Mr. McKELLAR. Mr. President, I ask that the amendment offered by me be stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 7, after line 19, it is proposed to insert the following:

SEC. 103. Section 1 (c) of the act of July 2, 1940 (Public, No. 703, 76th Cong.), is amended by deleting therefrom the words "for supplies or construction" and the words "of such supplies or construction."

Mr. McKELLAR. This amendment would put the Army in the same position the Navy is in in reference to construction work.

Mr. LA FOLLETTE. Mr. President, will the Senator explain that a little more in detail?

Mr. McKELLAR. The Senator from Georgia [Mr. RUSSELL] is familiar with that amendment, and I will ask him to explain it.

Mr. RUSSELL. Mr. President, this amendment merely places the Army and the Navy on exactly the same footing in relation to advance payments to contractors with the War and Navy Departments. In the haste of all the preparedness legislation we have inadvertently in many cases extended privileges to the Army which have been withheld from the Navy, and extended privileges to the Navy which are not available to the Army. The immediate purpose of this amendment is to make it possible for the War Department to contract with civilian flying schools on the same basis that the Navy Department is permitted to contract with them. At the present time a great many pilots are being trained in civilian pilot schools, and this amendment would merely put both Departments, both of whom are training pilots, in exactly the same position.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee.

The amendment was agreed to.

Mr. McKELLAR. For the committee, I offer another amendment.

Mr. ADAMS. Mr. President, would the Senator mind if I offer the amendment I suggested a few moments ago, inasmuch as it would follow the discussion we have had in the RECORD?

Mr. McKELLAR. I would not object to it at all if the Senator from South Carolina [Mr. BYRNES], who has paid particular attention to that matter, were here. He was here a moment ago, and I will send for him. Will the Senator let us proceed until the Senator from South Carolina comes in?

Mr. ADAMS. I thought perhaps it would preserve the continuity of the discussion to offer the amendment now.

Mr. McKELLAR. I can understand the Senator's position. When the Senator from South Carolina returns to the Chamber we will be glad to have the amendment considered.

The PRESIDING OFFICER. Is there objection to the Senator from Colorado offering the amendment out of order?

Mr. McKELLAR. Let the amendment be offered.

Mr. ADAMS. Then I move to amend the bill on page 28 by striking out lines 4 to 21, inclusive.

Mr. McKELLAR. Let the matter wait until the Senator from South Carolina returns to the Chamber.

Mr. ADAMS. Very well.

The PRESIDING OFFICER. The amendment offered by the Senator from Colorado will lie on the table.

Mr. McKELLAR. I offer another amendment on behalf of the committee.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 8, line 14, it is proposed to insert:

Provided, That the first proviso under the appropriation "Miscellaneous expenses, Office of the Secretary," contained in title I of the act making appropriations for the Navy Department and the naval service for the fiscal year 1941, is hereby repealed.

Mr. McKELLAR. Under the present law the commandant of a navy yard has also to be commandant of a district. This amendment would allow separate officers to be named for those positions.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. McKELLAR. I now offer for the committee another amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 25, line 15, it is proposed to insert the following:

The Secretary of the Navy is hereby authorized to continue the employment, in the District of Columbia and elsewhere, of such employees now carried on the rolls as will be required for the preparation of plans and specifications and administrative work in connection with the public-works and public-utilities projects mentioned in this act.

Mr. McKELLAR. The men covered by the amendment are experienced and it is desired to retain them on the roll.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. McKELLAR. I offer another amendment, which the committee has directed me to offer.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 28, after line 24, it is proposed to insert the following:

There may be detailed to the Bureau of Navigation not to exceed at any one time 25 enlisted men of the Navy in lieu of the 7 enlisted men as authorized by the Naval Appropriation Act for the fiscal year 1941, and to the Bureau of Operations not to exceed at any one time 12 enlisted men of the Navy in addition to those detailed to Naval Communications and the Office of Naval Intelligence.

Mr. McKELLAR. That provision is required because of the increased number of the establishments.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. McKELLAR. I offer another amendment on behalf of the committee.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 29, after line 22, it is proposed to insert the following:

SEC. 302. No insurance firm, corporation, or association, or individual insurer, shall be acceptable as an insurer for any contractor or subcontractor performing any contracts for the United States of America, or any Department thereof, in connection with the national-defense program, unless such firm, corporation, association, or individual is licensed to do an insurance business in the State or Territory in which the contract is to be performed.

Mr. McKELLAR. Mr. President, that amendment is offered because of testimony given before the committee to the effect that certain large insurance companies organized under foreign governments, and having no officer here on whom process could be served, were making some of these

bonds. I understand that the practice has been discontinued; but, out of abundance of caution, the committee wanted the provision to go into this bill.

Mr. LA FOLLETTE. Mr. President, I understand that if this amendment is adopted it will mean that every contractor who gets a contract from the Government will have to obtain his insurance from companies which are licensed to do business in the State in which the contract is to be executed. The contractor obtaining a contract from the Federal Government might be domiciled in one State and the contract might be executed in another, but the contractor would have to get his insurance from companies which were authorized to do business in the State in which the contract was to be performed.

I cannot quite see why contractors should be required to buy insurance in the State in which the contract is to be executed any more than that they should be required to buy their materials in the State. If my information is correct, this amendment will ultimately mean additional cost to the Government, as, of course, the cost of insurance will have to be figured into every one of these contracts. Therefore, the Government will be the loser, because insofar as the contractor has to pay a higher insurance rate, that will be figured into the cost to the Government; and ultimately the Government will have to pay more than it would pay if the contractor were able to procure his insurance on a competitive basis.

Mr. McKELLAR. Mr. President, this amendment grew out of the fact that a certain very famous insurance company, not having a license to do business in the United States, for some reason has been receiving a large bonding business. It has no agencies on which process can be served. It has no business house that can be subjected to the laws of our country. It is not licensed to do business in our country, and it was thought that such a bond was practically without value; and, in my judgment, it is.

There is some force in the contention the Senator has suggested. We do not want to confine bonds to any one State; but that could be easily remedied by the insertion of the words "the United States," so that it will read "licensed to do an insurance business in the United States and in the State or Territory in which the contract is to be performed."

Mr. SCHWARTZ. Mr. President——

Mr. McKELLAR. I yield to the Senator from Wyoming.

Mr. SCHWARTZ. I think one of the things connected with this particular question is the fact that it is desired by insurance men throughout the United States that an insurance company wishing to come into a State and transact business therein should qualify under the laws of the State. When that is done, of course, an incident of the transaction is that the local insurance men get commissions on insurance that is written, but I understand that that does not increase the cost of the policy at all. When an insurance company located in Maryland or somewhere else writes insurance in one of the Western States in which it is required to conform to the State laws, the cost of insurance is so much; and if the insurance company goes into another State where it is not required to do that, and writes exactly the same kind of policy, the cost is the same. I think the Government will not save anything by failure to require an insurance company to qualify to do business within the State where the risk is involved.

Mr. LA FOLLETTE. Mr. President, my information—if I may be permitted to say so in the time of the Senator from Tennessee—is that a large number of mutual companies which have low rates do not necessarily take out licenses in States unless they have a sufficient amount of business to warrant it. Very reputable and excellent companies may not find it necessary to obtain licenses in all the 48 States. If this amendment should not be adopted, the contractor would be at liberty to get his insurance as cheaply as he could get it from a reputable and a safe company which was satisfactory to the Government. If, however, we should establish the principle or policy embodied in this amendment, it is my understanding that the contractor would have to give up his insurance relationship with a particular company if it was not licensed to do business in the State where the contract was to be executed.

I have been informed that there is one State from which most of the insurance companies have withdrawn because of some particular provision of the State law. If contracts are to be executed in that State, it will mean that the contractor must obtain his insurance from companies situated within the State, and the rates will be higher, and that will ultimately be reflected in the cost to the Government.

Mr. President, why should we say that a contractor shall be confined and restricted in buying insurance any more than that he shall be confined and restricted so far as concerns the purchase of materials that go into the performance of his contract? I confess I cannot see the logic of it, and I should not like to see anything done here along this line. The contracts in question will cost the Government enough at best, and I should not like to see anything done by the Congress which will ultimately result in an increased cost to the Government.

Mr. McKELLAR. Mr. President, if the Senator will offer an amendment which will simply exclude foreign concerns unless they secure a license to do business in this country, that will be acceptable.

Mr. LA FOLLETTE. Would the Senator be willing to withhold this amendment for a few moments?

Mr. McKELLAR. I shall be glad to do so.

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

Mr. McKELLAR. Yes.

Mr. PEPPER. I hope the Senator from Tennessee will not readily yield to the suggestion of the able Senator from Wisconsin because there are a good many of us who heartily agree with the amendment as the committee offers it, and we should like to support the Senator from Tennessee in behalf of the committee.

Mr. McKELLAR. That matter may be taken up later.

I now offer the amendment, which I send to the desk, and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Tennessee, on behalf of the committee, will be stated.

The CHIEF CLERK. On page 29, after line 9, it is proposed to insert the following:

SEC. 201. To the President for allocation to the War Department and the Navy Department for projects for temporary dwellings to be constructed and operated under the direction of the Army, Navy, or Marine Corps for housing persons engaged in national-defense activities under their direction, without regard to section 3709 of the Revised Statutes, in localities where the President determines that there is an acute shortage of housing which impedes the national-defense program and that the necessary housing would not otherwise be provided when needed, $100,000,000, to be immediately and continuously available until expended.

Mr. WAGNER. Mr. President, I desire to offer an amendment to the amendment which has just been offered. I have conferred with the Senator from Tennessee and those in charge of the bill about it.

Mr. McKELLAR. Will the Senator let the amendment be read for the information of the Senate?

Mr. WAGNER. Yes. I was about to state that I have submitted the amendment to the Senator from Tennessee, and he is agreeable to it.

After the word "direction", in line 6, I move to add the following:

And for allocation to such other agencies of the United States as the President may determine for the construction of housing projects for persons engaged in national-defense activities, or for loans—at such rates of interest as the President may fix—for the construction of such projects.

Then, in line 7, after the word "determines", I move to insert "upon the recommendation of the War or Navy Department."

Mr. HAYDEN. Mr. President, if the Senator will yield, let me see if I understand the situation. As the amendment is

reported to the Senate, this money is appropriated for expenditure by the War or Navy Department.

Mr. WAGNER. For housing.

Mr. HAYDEN. Yes. If the War Department or the Navy Department wants to use some other governmental agency, such as the Housing Administration or the Public Works Administration, it may do so. What governs us, I think, is that it should be upon the recommendation of the War Department or the Navy Department.

Mr. WAGNER. Exactly.

Mr. McKELLAR. I would say, instead of on the recommendation of the Department, on the recommendation of the Secretary of War or the Secretary of the Navy. Is not that the wording?

Mr. WAGNER. That is the wording.

Mr. McKELLAR. I see no objection to it.

Mr. HILL. Mr. President, as I understand, the practical effect would be that if the War Department recommended and certified that a particular project was needed for the national defense, the President then could allocate some of this money for that project, and he could say that the United States Housing Authority, or the Public Works Agency, or any other agency qualified to do the job, should do it instead of the War Department.

Mr. WAGNER. Yes. A new corporation which has been formed by the Reconstruction Finance Corporation, known as the National Defense Corporation, might also be authorized

Mr. McKELLAR. It would be on the recommendation of the Secretary of War or the Secretary of the Navy.

Mr. WAGNER. Unless it were requested by those two Departments, of course, it could not be done.

Mr. HILL. The force of the Senator's amendment is that it means that all appropriate agencies will be available for this work. The agency which can do the job best is the one we would expect the President to select to do the job.

Mr. WAGNER. Exactly; of course, if it could not otherwise be provided. In other words, if private industry were able to provide for the housing, then, of course, the Government would not engage in the construction at all.

Mr. TYDINGS. What increase does the Senator propose?

Mr. WAGNER. Not a cent.

Mr. TYDINGS. It is not proposed to use this authorization as a slum-clearance proposition?

Mr. WAGNER. Oh, no. No subsidy is involved at all.

Mr. TYDINGS. If a project is under way, like that at Pensacola, Fla., they need many buildings to house the personnel, and the money would be used only in a case of that kind?

Mr. WAGNER. Only in a case of that kind.

Mr. TYDINGS. It is not a peacetime, orthodox program, but is a part of the emergency program?

Mr. WAGNER. It is a part of the emergency program.

Mr. McKELLAR. It is all temporary work.

Mr. PEPPER. There are a number of places in Florida which otherwise could not afford housing facilities.

Mr. WAGNER. I have all that information.

Mr. McKELLAR. I have no objection to the amendment, so far as I am concerned.

Mr. CONNALLY. Mr. President, as is usual, every little bureau and department is jealous of its jurisdiction, and when anything shows up which looks like meat in the pot, they all want it.

The National Council for Defense sends a bill to me and asks me to introduce it. It has already been introduced in the House of Representatives, and a House committee is holding hearings on it at this moment, or was this morning. It is a bill to provide for the appropriation of $150,000,000 for housing, to be expended and administered under Mr. Carmody's organization, the same organization which builds post offices and courthouses.

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

Mr. CONNALLY. I yield.

Mr. WAGNER. Both the Public Buildings Administration and P. W. A. are under the jurisdiction of Mr. Carmody. I was communicated with this morning by members of the National Defense Council, and I think we will hear from them in a day or two. They have already made the request before a committee of the House, I believe.

Mr. CONNALLY. I have it here in my hand. They have been up here two or three times.

Mr. WAGNER. This happened since the pending bill was prepared. They had a conference, and as a result of the meeting of the entire council, they felt it more desirable not to designate any particular agency in the construction of these housing projects, because evidence came before them showing that the decision as to which bureau or department should undertake the work depends upon the community and upon the need.

In some cases a mere temporary housing project would be wanted. In others a permanent housing project would be desired. The Army and Navy already have exercised the privilege that was given to them in selecting the United States Housing Authority to construct projects in different sections of the country through their local housing authorities. There is one in the Senator's State, I am sure. Altogether, the United States Housing Authority now is cooperating in the construction of 16 different projects in the United States at the request of the War and Navy Departments, in cases where they both determined that it would be more efficiently and more economically done through the Authority. I have a list of those projects which I should like to submit to the Senator.

The amendment I have proposed provides that the construction cannot take place through another agency unless the Navy or the War Department requests that some other agency besides itself do the work.

For instance, there is a project in Pensacola, Fla., which the Navy Department has asked the housing authority of the city of Pensacola to handle. That request came in at the beginning of July, and today the project is already under construction. If the Senator is interested, I call his attention to the fact that there are 16 of these projects.

Mr. CONNALLY. One serves as a symbol of all.

Mr. WAGNER. I am not proposing that we in any way increase the appropriation, but that we give authority to the Army and Navy. They are short-handed. Admiral Moreell, as well as Major Wilson, testified before the Committee on Appropriations that they are not equipped to furnish all of this housing with the speed that is necessary in order to house the workers and the enlisted men and their families. Some of the projects which are actually in process of construction now are for the families of enlisted men, and others are for workers employed upon shipbuilding and other national-defense equipment. They conceded that the shortage all over the country, particularly of housing for industrial workers in defense industries, is critical. I have a number of editorials from leading newspapers throughout the country which call attention to the fact that, while factories have been started in their communities, the turn-over is tremendous because workers and their families, required to live in jails and in temporary tents, left the job on that account.

Mr. CONNALLY. There is no argument about that. We would not vote for this amendment if we did not need some housing.

Mr. HAYDEN. The Senator is not objecting to the amendment; he is commenting upon a further proposition in addition to that which has been submitted to him.

Mr. CONNALLY. It is not exactly in addition. It is the same objective, but they want it done by the Housing Authority. I am not insisting on it.

Let me say to the Senator from New York that if the money should be allocated to the Housing Authority, and it is going to administer it under the present housing law, under which the Government collects only about half the rent it should receive, I am not for it. Those who will occupy these houses are going to get good wages, and they should pay the Government rent. I am not in favor of allocating any money to the Housing Authority under this or

any other bill if we are to give the occupants about half the rent on a 60-year basis.

Mr. WAGNER. As a matter of fact, the amendment which we adopted some time ago to the naval bill prohibits the use of any subsidy. There is no subsidy involved in my amendment at all.

Mr. CONNALLY. I am glad to hear that.

Mr. WAGNER. A good deal of the money will come back to the Government, because it is disbursed in the form of a loan. The authority will administer the buildings and collect the rents, and the rents will be used to amortize the debt.

Mr. CONNALLY. That is the local authority?

Mr. WAGNER. Exactly.

Mr. CONNALLY. I am not very sympathetic with that. I think that if the Army needs some housing, it should at least have the authority itself to go out and build the housing, or it should be able to call upon some agency of the Government to go out and build the housing for it. The same applies to the Navy Department and to the Marine Corps. I am not in favor of turning money over to the local housing authorities not selected by the Government at all. They select their own people. I am not in favor of turning over a lot of money to those folks to exploit the local situation at the expense of the Government.

Mr. WAGNER. The local authorities, of course, are under the supervision of the Federal Government.

Mr. CONNALLY. In a sense; in a sort of a distant sense.

Mr. WAGNER. No; they are very carefully scrutinized. I will say for the administration of the U. S. H. A. that there has not been a breath of scandal in connection with any project it has furthered.

Mr. CONNALLY. I am not attacking the Housing Authority; but if I am running an army which wants some housing, I should know where I want it and how much of it I want and how it should be handled. The same applies to the Navy. I see no reason for going out and bringing in an outside agency to do that sort of work.

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

Mr. CONNALLY. I have to yield to the Senator from New York.

Mr. WAGNER. I agree with the Senator, and that is the reason why the amendment puts the entire discretion in the War and Navy Departments. I am sure that, even under this provision, if it is more desirable for the Army or the Navy to have the Housing Authority administer these houses after they are constructed, it has a perfect right, under arrangements with the departments, to do so. That is a matter of discretion.

Mr. McKELLAR. Mr. President, I wish to ask the Senator from New York a question. As I understand, his proposed amendment to the amendment of the committee merely gives the Secretary of War and the Secretary of the Navy the right to use these other agencies in constructing the housing. If it means anything else, I cannot agree to it.

Mr. WAGNER. No.

Mr. McKELLAR. That is what the Senator from New York has assured me it means, and that it means nothing else. I will say to the Senator from Texas that it merely gives to the Secretary of War and to the Secretary of the Navy the additional right of selecting one of these other agencies to build these houses in the event the Secretary of War or the Secretary of the Navy sees fit to do it.

Mr. CONNALLY. I shall place in the RECORD, simply to show the facts, a letter from the office of the Defense Housing Coordinator. Senators know that now we must have a coordinator in respect to everything. I have here also a letter from the Advisory Commission for the Council of National Defense. We ought to have a little more coordination between these various agencies. I have also before me a bill which is all prepared, which will authorize $150,000,000, and in the House committee they are now having hearings on it. I was urged 3 days ago to introduce the bill in the Senate, but I declined to do so until I knew more about what the program of the Army and the Navy is to be. The bill proposes to provide that the Public Works organization—I do not know what the new name for it is.

Mr. McKELLAR. Public Works Agency.

Mr. CONNALLY. The Public Works Agency, of which Mr. Carmody is the head, which builds post offices and other buildings, desires to do all this work on the request of the Army and the Navy. I have not introduced the bill. I thought I would wait and see what the House does about it. If it shall pass the bill, and it shall be sent to my committee, I will have to take it up and act on it. That simply illustrates that there is no harmony here. Here are the Army and the Navy who want to do this work, and here is the Housing Authority which runs in and wants to do it, and here is the Public Works Agency which wants to do it.

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

Mr. CONNALLY. I yield.

Mr. WAGNER. The representatives of the Army and the Navy have requested this amendment.

Mr. CONNALLY. I understand. Is this the Senator's amendment written into the committee amendment?

Mr. WAGNER. Yes. What I add is the matter which is underscored.

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

Mr. CONNALLY. If the Senator from New York has concluded, I will yield.

Mr. GREEN. I wish to draw the attention of the Senator from Texas to the fact that, as he is reading the language, he will find that it simply provides for construction. It has nothing to do with administration. It simply provides for construction in case the Army and Navy think that some other agency can best attend to the work of construction.

Mr. CONNALLY. Does the Senator contend that the Navy will administer the housing after it has been built?

Mr. GREEN. The language has nothing to do with that. It simply provides for the construction of the housing by some other agency.

Mr. CONNALLY. Who is to administer the housing? Who is to collect the rent?

Mr. GREEN. The Army and the Navy.

Mr. CONNALLY. I do not see anything about it in the amendment of the committee, offered by the Senator from Tennessee.

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

Mr. CONNALLY. I yield.

Mr. McKELLAR. Naturally all the houses provided for the Navy Department are under the control of the Secretary of the Navy, and those provided for the Army are under the control of the Secretary of War.

Mr. WAGNER. The money to finance the defense housing projects I have mentioned came from funds recaptured by the U. S. H. A. through economies in the construction of some of its slum-clearance projects. They had succeeded in reducing the cost of construction in many of these projects around the country below the estimated loan that was required, and that sum which came back to the U. S. H. A. was used, because the Army and the Navy needed action at once.

Mr. CONNALLY. Are they administering those recaptured dollars under the old law that would give above 50 percent of the rent free?

Mr. WAGNER. No. Let me assure the Senator there is no subsidy involved in this matter at all. But the funds were available, and we adopted an amendment to the Navy bill when it was before the Senate which gave to the U. S. H. A. the authority to build these projects at the request of the respective departments, and the projects are in the course of construction now. That was Public, No. 671, approved in June of this year. The situation is critical with reference to the housing shortage. If I had the time, I could show the Senator editorials from all over the country in respect to that situation. That shortage is interfering with the production of defense material. It is interfering even with shipping, because in many cases there is a lack of housing for men employed in shipbuilding. I have one or two editorials before

me. For instance, here is one, if I may read it, published in the Times, of Seattle, Wash.:

In the navy yard of Bremerton, with a pay roll higher than at any peak during the World War, men, women, and children are sleeping in jails, on the grass in the city parks, in parked automobiles.

Mr. CONNALLY. Mr. President, I do not mind continuing to yield to the Senator, but I think we all admit that there is a necessity for housing, or we would not advocate these measures.

Mr. McKELLAR. Mr. President, I am willing to accept the amendment suggested by the Senator from Texas. It seems to me that it would not be necessary to read editorials dealing with this question. I hope the Senator from New York will not do so.

Mr. WAGNER. That will be a matter of adjustment between the Army and the Navy and the other agency, if they select an outside agency to do the construction work.

Mr. CONNALLY. I wish to make the language as clear as possible, otherwise we shall have conflict. If the Army is to administer its housing after it shall have been constructed we ought to say so, and if the Navy is to administer its housing after it shall have been constructed we ought to say so. There is nothing in the amendment offered by the Senator from Tennessee which says anything about administration. Under it the housing would simply be built up, and after completion the agency building it would go and leave it.

Mr. McKELLAR. If the Senator offers an amendment along the line suggested by him I am sure it would be acceptable.

Mr. CONNALLY. I am not sponsoring any such language. I merely suggest the situation with which we are confronted.

Mr. WAGNER. I suggest to the Senator that we leave the matter to the two departments as to the administration, because, in some instances, undoubtedly they would want the local authority to do it, and in other cases they may want to do it themselves.

Mr. CONNALLY. It ought to be under the administration of the Army or Navy, as the case may be. Here we have a project. Unless the Navy or the Army can control the housing, it will result in interfering with their programs.

Mr. WAGNER. The United States Housing Authority is constructing these projects now at the request of the Army and of the Navy, and there is absolute harmony between those organizations. It was the Army and the Navy that suggested that such construction be done.

Mr. CONNALLY. Where did the Housing Authority get the money?

Mr. WAGNER. I explained that a few minutes ago. I hope I shall not be lectured for upholding my amendment.

Mr. McKELLAR. Oh, no.

Mr. CONNALLY. I will say to the Senator from New York that I am very glad to yield to him, but I wish to ask him a question with respect to his amendment. He proposes to amend the amendment submitted by the Senator from Tennessee on behalf of the committee, by inserting the following language:

And for allocation to such other agencies of the United States as the President may determine, upon the recommendation of the Secretary of War and the Secretary of the Navy, for the construction of housing projects for persons engaged in national-defense activities or for loans (at such interest rates as the President may fix)—

What has that matter of loans to do with the situation?

Mr. WAGNER. That is the very point I was making a moment ago. Instead of the Government spending that money outright, it will provide for a loan to the local housing authority, if the authority is selected to do the construction work.

Mr. CONNALLY. Then the housing authority will control that project?

Mr. WAGNER. No; only to the extent of the loan. If the Senator will bear with me a moment I think I can make that clear. That is simply to make certain that there is no subsidy involved in any of this construction. The loan is made for the construction of the housing, and then the loan that the Government makes is amortized and paid back as the rent is collected from the occupants, because, as the Senator himself said, workers getting a good wage can afford to pay a fair rent. This is simply a method we use to procure the return of the money to the Federal Government through the payment of rents. If that provision were not contained in the bill, then there could be complaint that there was no provision for loans and that the money would be spent outright by the Government without any hope or thought of its return. I think that is a very necessary provision from the standpoint that the Senator himself has been arguing.

Mr. CONNALLY. I shall not take up any more of the Senate's time.

Mr. WAGNER. If the Senator insists upon the amendment he suggested, it is all right with me.

Mr. CONNALLY. What amendment?

Mr. WAGNER. As to who shall administer the housing.

Mr. CONNALLY. So far as I am concerned I want it to be made very clear that if the Army is going to take the responsibility of saying, "Build us some houses over here," it should also have the responsibility for administering that project after it is built.

Mr. WAGNER. Very well.

Mr. CONNALLY. I am not in favor, under the plea of national defense, of dishing out a lot of money to local bodies and others that are more concerned with the promotion of their own localities than they are concerned with national defense. If the Army needs housing, here it is. If the Navy needs housing, here it is. But I am not going to vote to hand out another dollar to these local housing administrations for construction which may result in that money may be owed to the Government which it will never get back.

Mr. ELLENDER. Mr. President, let me call to the attention of the Senator from Texas that of the 17 projects which were mentioned by the Senator from New York a while ago there are 3 of them——

Mr. CONNALLY. In my State?

Mr. ELLENDER. Which are managed by the Navy Department, one by the War Department, and all the rest of them by housing authorities in the localities where the projects are built. So there is an agreement between the War Department and the Navy Department with respect to the operation of the project after it is constructed.

Mr. McKELLAR. Mr. President, the Senator from Texas said that he did not know which Department would have control of the houses. This is what the amendment says:

for projects for temporary dwellings to be constructed and operated under the direction of the Army, Navy, or Marine Corps—

That means that they will be constructed and operated under the direction of the Army, Navy, or Marine Corps. The rents to be charged will be set by the Army, the Navy, or the Marine Corps, and those agencies will have absolute control of the houses. There is no reason in the world why that language would not cover it.

Mr. CONNALLY. I thank the Senator. I am glad to have that language called to my attention. At the moment I was looking at the amendment offered by the Senator from New York [Mr. WAGNER] to the amendment offered by the Senator from Tennessee [Mr. McKELLAR].

Mr. President, for the information of the Senate, I ask unanimous consent to have printed in the RECORD at this point correspondence with the Advisory Commission to the Council of National Defense, and a copy of the bill which the Advisory Commission to the Council of National Defense submits, and which it recommends for enactment. I shall not press the matter, because I cannot compete with the Appropriations Committee.

There being no objection, the correspondence and draft of a bill were ordered to be printed in the RECORD, as follows:

THE ADVISORY COMMISSION TO THE
COUNCIL OF NATIONAL DEFENSE,
OFFICE OF THE DEFENSE HOUSING COORDINATOR,
Washington, D. C., August 26, 1940.

HON. TOM CONNALLY,
453 Senate Office Building, Washington, D. C.

MY DEAR SENATOR: In accordance with the telephone conversation this afternoon between you and Hon. FRITZ G. LANHAM, M. C.,

you will find attached copy of letter transmitting to Vice President Garner, August 24, 1940, a draft of proposed legislation "To expedite the provision of housing in connection with national defense, and for other purposes." Enclosed also is a copy of a letter from the Director of the Bureau of the Budget, approving such draft as in accordance with the President's program.

Inquiry developed today that the letter to Vice President Garner had been forwarded to him in Texas. Consequently, you will find attached copies of the above with some minor revisions, as suggested by Congressman LANHAM, Budget approved.

Inasmuch as this is vital to the national defense, it is felt that it will be well if this legislation were introduced with all convenient speed. In the House the bill is being handled by the Public Buildings and Grounds Committee, FRITZ G. LANHAM, chairman.

Cordially yours,

C. F. PALMER, *Coordinator.*

OFFICE OF THE DEFENSE HOUSING COORDINATOR,
August 24, 1940.

Hon. JOHN N. GARNER,
Vice President of the United States, Washington, D. C.

MY DEAR MR. VICE PRESIDENT: Enclosed herewith is a draft of proposed legislation "To expedite the provision of housing in connection with national defense, and for other purposes." Enclosed also is a copy of a letter from the Director of the Bureau of the Budget, approving such draft as in accordance with the President's program.

It is felt that it would be well if this legislation were introduced with all convenient speed.

Very truly yours,

C. F. PALMER, *Coordinator.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., August 23, 1940.

Hon. C. F. PALMER,
Coordinator, the Advisory Commission to the Council of National Defense, 677 Federal Loan Agency Building, Washington, D. C.

MY DEAR MR. PALMER: I have your letter of August 23, 1940, transmitting the original and one copy of a draft of a proposed bill to expedite the provisions of housing in connection with national defense, and for other purposes.

The original of the draft of bill is returned herewith, and you are advised that there would be no objection to its presentation for the consideration of the Congress.

Very truly yours,

HAROLD D. SMITH, *Director.*

Enclosure: Original of draft of bill.

A bill to expedite the provision of housing in connection with national defense, and for other purposes

Be it enacted, etc.—

TITLE I

SECTION 1. In order to provide housing for persons engaged in national-defense activities and their families in those areas or localities in which the President shall find that an acute shortage of housing exists or impends which would impede national-defense activities, the Federal Works Administrator (hereinafter referred to as the "Administrator"), acting through the Public Buildings Administration, is authorized—

(a) To acquire (without regard to secs. 355, as amended; 1136, as amended; and 3709 of the Revised Statutes) improved or unimproved lands or interests in lands by purchase, donation, exchange, lease (without regard to sec. 322 of the act of June 30, 1932, 47 Stat. 412, as amended; the act of March 3, 1877, 19 Stat. 370; or any time limit on the availability of funds for the payment of rent), or condemnation (including proceedings under the acts of August 1, 1888, 25 Stat. 357; March 1, 1929, 45 Stat. 1415; and February 26, 1931, 46 Stat. 1421).

(b) By contract or otherwise (without regard to secs. 355, as amended, 1136, as amended, and 3709 of the Revised Statutes; sec. 322 of the act of June 30, 1932 (47 Stat. 412); or any Federal, State, or municipal laws, ordinances, rules, or regulations relating to plans and specifications or forms of contract, the approval thereof, or the submission of estimates therefor) to make surveys and investigations, plan, design, construct, remodel, extend, repair, or demolish structures, buildings, improvements, and community facilities, on lands or interests in lands acquired under the provisions of subsection (a) hereof, or on other lands of the United States which may be available (transfers of which for this purpose by the Federal agency having jurisdiction thereof are hereby authorized notwithstanding any other provisions of law), provide proper approaches therein, utilities, and transportation facilities, and procure necessary materials, supplies, articles, equipment, machinery, and portable or demountable structures, interchangeable parts or units: *Provided*, That the cost-plus-a-percentage-of-cost system of contracting shall not be used, but this proviso shall not be construed to prevent the use of the cost-plus-a-fixed-fee form of contract: *Provided*, That the average cost per family dwelling unit shall not exceed the sum of $3,500, exclusive of expenses for administration, land acquisition, public utilities, and community facilities.

SEC. 2. As used in this act (a) the term "persons engaged in national-defense activities" shall include (1) enlisted men in the naval or military services of the United States, (2) employees of the United States in the Navy and War Departments assigned to duty at naval or military reservations, posts, or bases, (3) workers engaged or to be engaged in industries connected with and essential to the national defense; (b) the term "Federal agency" means any executive department or office (including the President), independent establishment, commission, board, bureau, division, or office in the executive branch of the United States Government, or other agency of the United States, including corporations in which the United States owns all or a majority of the stock directly or indirectly.

SEC. 3. The sum of $150,000,000, to remain available until expended, is hereby authorized to be appropriated to carry out the purposes of this act in accordance with the authority therein contained and for administrative expenses in connection therewith: *Provided, however*, That the Administrator is authorized to reimburse, from funds which may be appropriated pursuant to the authority of this act, the sum of $3,300,000 to the emergency funds made available to the President under the act of June 11, 1940, entitled "An act making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1941, and for other purposes" (Public, No. 588), and the sum of $6,700,000 to the emergency funds made available to the President under the Military Appropriation Act, 1941, approved June 13, 1940 (Public, No. 611).

SEC. 4. When the President shall have declared that the emergency declared by him on September 8, 1939, to exist has ceased to exist (a) the authority contained in section 1 hereof shall terminate, except with respect to contracts on projects previously entered into or undertaken and court proceedings then pending, and (b) property acquired or constructed under this act shall be disposed of as promptly as may be advantageous under the circumstances and in the public interest.

SEC. 5. Where any Federal agency has funds for the provision of housing in connection with national-defense activities, it may, in its discretion, make transfers of those funds, in whole or in part, to the Adminstrator, and the funds so transferred shall be available for, but only for, any or all of the objects and purposes of and in accordance with all the authority and limitations contained in this act, and for administrative expenses in connection therewith.

SEC. 6. Moneys derived from rental or operation of property acquired or constructed under the provisions of this act shall be returned to the appropriation authorized by this act and shall be available for expenses of operation and maintenance, including administrative expenses in connection therewith.

SEC. 7. Notwithstanding any other provisions of law, whether relating to the acquisition, handling, or disposal of real or other property by the United States or to other matters, the Administrator, acting through Public Buildings Administration, with respect to any property acquired or constructed under the provisions of this act, is authorized by means of Government personnel, selected qualified private agencies, or public agencies (a) to deal with, maintain, operate, administer, and insure; (b) to pursue to final collection by way of compromise or otherwise all claims arising therefrom; (c) to rent, lease, exchange, sell for cash or credit, and convey the whole or any part of such property and to convey without cost portions thereof to local municipalities for street or other public use: *Provided*, That any such transaction shall be upon such terms, including the period of any lease, as may be deemed by the Administrator to be in the public interest: *Provided further*, That any lease authorized hereunder shall not be subject to the provisions of section 321 of the act of June 30, 1932 (47 Stat. 412).

SEC. 8. In carrying out the provisions of this act the Administrator is authorized to utilize employees and facilities of the Federal Works Agency and of its constituent units, and any funds appropriated pursuant to this act shall be available for transfer to any such agency in reimbursement therefor.

SEC. 9. The Administrator may enter into any agreements to pay annual sums in lieu of taxes to any State or political subdivision thereof, with respect to any real property acquired and held by him under this act, including improvements thereon. The amount so paid for any year upon any such property shall not exceed the taxes that would be paid to the State or subdivision, as the case may be, upon such property if it were not exempt from taxation.

SEC. 10. Notwithstanding any other provision of law, the acquisition by the Administrator of any real property pursuant to this act shall not deprive any State or political subdivision thereof of its civil and criminal jurisdiction in and over such property, or impair the civil rights under the State or local law of the inhabitants on such property.

SEC. 11. The Administrator is authorized to make such rules and regulations as may be necessary to carry out the provisions of this act.

SEC. 12. If any provision of this act, or the application thereof to any persons or circumstances, is held invalid, the remainder of this act, or application or such provision to other persons or circumstances, shall not be affected thereby.

SEC. 13. At the beginning of each session of Congress, the Administrator shall make to Congress a full and detailed report covering all of the transactions authorized hereunder.

Mr. ELLENDER. Mr. President, I ask unanimous consent to place in the RECORD a table showing the number of na-

tional-defense housing projects, where they are built, the number of dwelling units, and so forth.

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

National defense housing projects

I. DEFENSE HOUSING PROJECTS APPROVED BY THE PRESIDENT

Place	Agency recommending project	Post or defense activity involved	Number of dwelling units	Agency to construct and operate housing project
Pensacola, Fla	Navy Department.	Extension of aviation training operations at naval air station.	200	The housing authority of the city of Pensacola, Fla.
Portsmouth, Va	do	Extension of shipbuilding program at navy yard	600	Housing authority of the city of Portsmouth, Va.
Columbus, Ga	War Department.	Expansion of operations at Fort Benning	614	The housing authority of the city of Columbus, Ga.
Corpus Christi, Tex	Navy Department.	Construction of new naval air station	250	Housing authority of the city of Corpus Christi, Tex.
Montgomery, Ala	War Department.	Expansion of operations at Maxwell Field	424	The housing authority of the city of Montgomery Ala.
Newport News, Va	Navy Department.	Assignment of several shipbuildings to Newport News Shipbuilding & Dry Dock Co.	500	Housing authority of the city of Newport News, Va.
Rock Island, Ill	War Department.	Expansion at United States arsenal at Rock Island, Ill	300	Rock Island city housing authority.
East Moline, Ill	do	do	100	Rock Island county housing authority.
Portsmouth, N. H	Navy Department.	Expansion of navy yard activities	400	Navy Department.
Canal Zone	do	do	400	Do.
Puget Sound, Bremerton, Wash.	do	do	600	Bremerton housing authority, Bremerton, Wash.
Charleston, S. C	do	do	400	Charleston housing authority, Charleston, S. C.
Mare Island, Calif	do	do	600	Navy Department.
Anchorage, Alaska	War Department.	Expansion of military activities	325	War Department.
Newport, R. I	Navy Department.	Expansion of naval activities connected with naval torpedo station, naval training station, and naval hospital.	262	The housing authority of the city of Newport, R. I.
Hartford, Conn	Local authority and U. S. Housing Authority.	Expansion of activities at plants for manufacture of Army ordnance and of airplane engines, airplanes, and ordnance facilities.	1,000	Housing authority of the city of Hartford.
Hampton Roads, Norfolk, Va	Navy Department.	Expansion of shipbuilding activities	500	The housing authority of Norfolk County, Va.
		Total approved, 17 projects	7,475	

II. DEFENSE HOUSING PROJECTS PROPOSED FOR SUBMISSION TO PRESIDENT WHICH WILL CONSUME BALANCE OF AVAILABLE FUNDS

Moline, Ill	War Department.	Expansion at United States arsenal at Rock Island, Ill	200	Moline housing authority.
Jacksonville, Fla	Navy Department.	New naval air base	400	The housing authority of the city of Jacksonville, Fla.
Fort Knox, Ky	War Department.	Expansion of military forces	505	War Department.
Selma, Ala	do	Expansion of military post	208	Selma housing authority.
Bridgeport, Conn	Local authority and U. S. Housing Authority.	Expansion of activities at plants for manufacture of airplanes, ordnance facilities, and defense machine tools.	1,250	The housing authority of the city of Bridgeport.
Seattle, Wash. (Sand Point)	Navy Department.	Increase in facilities of naval air station	200	Seattle housing authority.
Rantoul, Ill	War Department.	Expansion of Army landing field	100	Champaign County housing authority.
		Additional number being submitted, 7 projects	2,863	
		Total approved and to be approved, 24 projects	10,338	

Mr. CONNALLY. Mr. President, much has been said about the Council of National Defense, and the slowing-up of activities. It seems to me very probable that the multiplicity of organizations dealing with national defense is one of the causes for what some Senators charge to be unnecessary delay. If the Army wants to do something, not only must it have its own consent, but the matter must clear through the Council of National Defense. I hope that agencies which are superimposed on top of other agencies may be coordinated, and that instead of being the cause of delay they will try to speed up the program of national defense.

We have appropriated billions of dollars to buy war supplies, but if we are to get them we must have an efficient and speedy administration of the agencies which are handling them. We have three different agencies clamoring for jurisdiction and authority to say where the houses shall be built and how they shall be built. I am perfectly willing to vote for the appropriation, but I want the Army and Navy to have the decision as to where the housing shall be built and the type of housing which shall be built. I want the Army and Navy to have the administration of the housing, because if the employees are to be housed it is very necessary that these agencies have control of the housing. I do not want any local housing authorities filling up the buildings with persons who are not engaged in national-defense work.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New York [Mr. WAGNER] to the amendment offered by the Senator from Tennessee [Mr. MCKELLAR]. The amendment, as proposed to be amended, will be stated.

The CHIEF CLERK. The amendment offered by the Senator from Tennessee reads as follows:

SEC. 201. To the President for allocation to the War Department and the Navy Department for projects for temporary dwellings to be constructed and operated under the direction of the Army, Navy, or Marine Corps for housing persons engaged in national-defense activities under their direction——

At this point the Senator from New York [Mr. WAGNER] proposes to insert the following words:

and for allocation to such other agencies of the United States as the President may determine, for the construction of housing projects for persons engaged in national-defense activities, or for loans at such interest rates as the President may fix for the construction of such projects—

The amendment offered by the Senator from Tennessee continues—

without regard to section 3709 of the Revised Statues, in localities where the President determines—

At this point it is proposed by the Senator from New York to insert the following words—

upon the recommendation of the War or Navy Department—

The remainder of the amendment offered by the Senator from Tennessee is as follows—

that there is an acute shortage of housing which impedes the national defense program, and that the necessary housing would not otherwise be provided when needed, $100,000,000, to be immediately and continuously available until expended.

Mr. GEORGE. Mr. President, there is no doubt that under the terms of the amendment as just read the President may allocate this sum to other agencies, and then they may proceed with the construction; or loans may be made, and under the terms of the amendment as read the control of the housing would not be in the Army, the Navy, or the Marine Corps. That is perfectly clear. In the first instance the allocation is made by the President to the Army, the Navy, or the Marine Corps——

Mr. WAGNER. Upon the recommendation of the War or Navy Department.

Mr. GEORGE. I understand. In the first instance the appropriation is made through the President, for allocation to the Army, the Navy, or the Marine Corps, for the construction of houses under their direction, and to be managed by them. The amendment offered by the Senator from New York adds the words:

And for allocation to such other agencies of the United States as the President may determine——

Mr. WAGNER. No——

Mr. GEORGE. I listened to the reading of the amendment.

Mr. WAGNER. Upon the recommendation of the War or Navy Department.

Mr. GEORGE. No.

Mr. WAGNER. Will the Senator from Tennessee read that part?

Mr. McKELLAR. It reads:

And for allocation——

Mr. WAGNER. Will the Senator read the part which follows, providing that it shall be upon the recommendation of the War or Navy Department?

Mr. GEORGE. The Army and Navy are to recommend where the housing is to be constructed; but the President may allocate the money to any other agency, and that agency may use it as it pleases.

Mr. McKELLAR. Let me read it to the Senator.

Mr. GEORGE. Mr. President, may the amendment, as amended, be again stated?

The PRESIDING OFFICER. The amendment, as amended, will be stated.

The CHIEF CLERK. On page 29, after line 9, it is proposed to insert the following:

SEC. 201. To the President for allocation to the War Department and the Navy Department for projects for temporary dwellings to be constructed and operated under the direction of the Army, Navy, or Marine Corps for housing persons engaged in national-defense activities under their direction, and for allocation to such other agencies of the United States as the President may determine, for the construction of housing projects for persons engaged in national-defense activities, or for loans at such interest rates as the President may fix for the construction of such projects, without regard to section 3709 of the Revised Statutes, in localities where the President determines, upon the recommendation of the War or Navy Department, that there is an acute shortage of housing which impedes the national-defense program and that the necessary housing would not otherwise be provided when needed, $100,000,000, to be immediately and continuously available until expended.

Mr. GEORGE. Mr. President, the only thing the Army, the Navy, or the Marine Corps has to do with the allocations made to such other agencies as the President may select is that the Army, the Navy, or the Marine Corps must say, "We need housing in this vicinity or locality." That is all there is to it. This is simply another way of continuing and extending loans to such agencies as the United States Housing Authority. Such agency, of course, would be in control of the property after the temporary purposes of the Army or Navy had been met.

If the Senator wishes to do what was very clearly stated by the Senator from Texas [Mr. CONNALLY], who unfortunately is not in the Chamber at the moment, it can be accomplished by providing in the amendment:

And to other agencies on the recommendation of the Army, the Navy, or the Marine Corps.

Of course, that does not amount to very much.

Mr. WAGNER. Mr. President, that is exactly what I intended to do, and if that can be accomplished by the transposition of certain words I am quite willing to put the words wherever the Senator suggests. I thought, and I still think, that the meaning is very clear, that the money may not be allocated for construction of housing to any other agency except upon the recommendation of the War or Navy Department.

Mr. GEORGE. The only thing the War or Navy Department would have to do with the matter is the selection of locations.

Mr. BARKLEY. Mr. President, while Senators are confering about the matter, I send to the desk and ask to have read a letter from the Secretary of War to the President on the question of housing.

The PRESIDING OFFICER. Without objection, the letter will be read.

The legislative clerk read as follows:

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: In each of the localities in and about Montgomery, Ala.; Fort Knox, Ky.; Tampa, Fla.; McChord Field, Wash.; Aberdeen Proving Ground, Md.; and Benicia Arsenal, Calif., there is an expansion of national-defense activities of the War Department, which results in greatly increasing the Army personnel (including married enlisted men and civilian employees) to be stationed at the several military reservations, posts, or arsenals near these localities. It is necessary that housing be made available for persons engaged in these national-defense activities because there is an acute shortage of housing in the said localities which impedes the national-defense program and because the necessary housing will not be provided otherwise than as herein recommended.

* * * * * * *

Sincerely yours,

HENRY L. STIMSON,
Secretary of War.

Mr. McKELLAR. Mr. President, while the amendment is being perfected——

Mr. GEORGE. The amendment is now ready.

Mr. McKELLAR. Very well; let it be read from the desk.

The PRESIDENT pro tempore. The amendment as modified will be stated.

The LEGISLATIVE CLERK. On page 29, after line 9, it is proposed to insert the following:

SEC. 201. To the President for allocation to the War Department and the Navy Department for projects for temporary dwellings to be constructed and operated under the direction of the Army, Navy, or Marine Corps for housing persons engaged in national-defense activities under their direction, and for allocation to such other agencies of the United States as the President may determine upon the recommendation of the Secretary of War or Secretary of the Navy for the construction of housing projects for persons engaged in national-defense activities, or for loans (at such interest rates as the President may fix) for the construction of such projects, without regard to section 3709 of the Revised Statutes, in localities where the President determines, upon the recommendation of the War or Navy Department, that there is an acute shortage of housing which impedes the national-defense program, and that the necessary housing would not otherwise be provided when needed, $100,000,000, to be immediately available and continuously available.

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

The amendment, as modified, was agreed to.

Mr. WAGNER. Mr. President, I ask unanimous consent to have inserted in the RECORD at this point a letter addressed to me by the Director of the Budget, a number of editorials from leading newspapers with reference to the housing shortage; also a letter from Mr. Green, president of the American Federation of Labor, suggesting the change which has been made; a letter by him to the President, and the answer of the President approving the amendment which has just been adopted.

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

The matter referred to is as follows:

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., August 19, 1940.

HON. ROBERT F. WAGNER,
United States Senate.

MY DEAR SENATOR WAGNER: With your letter of August 15 you transmitted a copy of a proposed amendment to the pending supplemental national-defense appropriation bill to provide for housing for defense workers. The provision for additional housing is a necessary incident to our defense program.

While the Bureau is thoroughly in agreement with the objectives to be attained by your proposed amendment it is felt that a somewhat more flexible method is necessary to insure that the defense program be not impeded. I am, therefore, suggesting a modification of your proposal which I believe will permit the President to more widely utilize existing construction agencies of the Federal Government. In this amendment the proposed amount is likewise reduced to $150,000,000, since the information available to this Bureau indicates that for the present this sum should prove adequate.

There is set forth below the modified amendment to which the Bureau of the Budget would offer no objection if included in the pending appropriation bill.

"For all necessary expenses, including acquisition of real property or interests therein, to enable the President to provide housing and facilities incidental thereto for persons engaged in national-defense activities in areas where it is determined by the President that there is or otherwise would be an acute housing shortage which would impede or delay the national-defense program, $150,000,000, to be immediately and continuously available until expended and to be expended, without regard to section 3709, Revised Statutes, in such manner and by such agencies of the United States as the President may determine."

Sincerely yours,

HAROLD D. SMITH,
Director.

Nature of need	*Units*
1. Navy Department need for housing married enlisted personnel and civilian employees estimated at	50,000
Admiral Moreell estimated (page 201) that there was an immediate need for about 20,000 units for married enlisted personnel and 30,000 units for civilian employees at naval and other establishments engaged in shipbuilding and naval construction.	
2. War Department need for housing married enlisted personnel and civilian employees estimated at	40,000
Major Wilson estimated (page 226) an immediate need for this amount of housing for noncommissioned officers at Army posts and for civilian employees at Government arsenals and at military posts.	
3. Industrial workers in defense industries. There is an immediate need for housing for such industrial workers (based upon incomplete reports so far received from about two-thirds of the States) estimated at	40,000
This housing is needed for industrial workers engaged in expanding industries essential to the national-defense program, such as the manufacture of airplanes and airplane engines, shipbuilding, production of ordnance facilities, and defense machine tools, and other industries which are filling orders under the defense program.	
Total estimated need (based only on reports received to date)	130,000

4. Typical quotations from current local newspapers throughout the country showing needs for housing of military and naval personnel and for industrial workers.

Times, Seattle, Wash.: "In the navy yard city of Bremerton, with a pay roll higher than at any peak during the World War, men, women, and children are sleeping in jail, on the grass in the city park, in parked automobiles, on makeshift beds in garages, and in tents pitched at the outskirts of the community, caught in an unprecedented housing shortage.

"Rents have risen once, twice, three times this year. An apartment fetching around $35 a month in Seattle is worth $50 in Bremerton. A $90-a-month Navy chief petty officer has to pay $50 a month for a good beach residence. The city's 'best' apartments are $75 a month. A tent site costs $10 a month.

"A garage on the road to Kitsap Lake, converted into a bedroom, commands as much as $30 a month.

"At police headquarters yesterday officers said that some nights as many as six and seven newcomers to Bremerton are given shelter in the city jail.

"'And they have money in their pockets, too,' said a desk officer. 'They're not bums and they have good jobs. They arrive in the city and go from door to door asking for a place to live. There aren't any places.'

"The officer said Bremerton's Evergreen Park has 'sleepers' each night and said the State patrol has reported seeing tents pitched along the main highways and along side roads miles away from Bremerton."

Record, Philadelphia, Pa.: "Rear Admiral A. E. Watson, commandant of the Fourth Naval District, has requested the Philadelphia Housing Authority to build 1,000 family units for the use of married employees of the navy yard. * * * He is not speaking as a social reformer. He is speaking as an expert on national defense.

"A survey of housing needs, ordered by the Navy Department, has indicated that unless new homes are built it will be difficult to find quarters for the men employed in Philadelphia on our national defense program."

Inquirer, Philadelphia, Pa., re New Jersey housing conditions: "Fort Dix, N. J. The atmosphere of an old-time 'boom town'—complete with high rents, housing shortage, and everything—has begun to envelop the communities surrounding this World War training camp, as plans proceed apace to reconstruct it for new national-defense uses.

"Already Fort Dix authorities are studying plans for a low-cost housing project to be financed by the United States Housing Administration in view of reports that rents in the surrounding towns of Pemberton, Brown Mills, Wrightstown, New Egypt, Juliustown, Jobstown, and Cookstown have jumped from 25 to 100 percent."

Virginian-Pilot, Norfolk, Va.: "Told by Rear Admiral Joseph K. Taussig, commandant of the fifth naval district, that the Navy needs at least 1,000 low-cost dwelling units in Norfolk to house married enlisted personnel, the local housing authority yesterday applied to the United States Housing Authority for the earmarking of $4,000,000 for the erection of 1,000 units.

"* * * Admiral Taussig said, '* * * the married Navy enlisted man * * * constitutes a real housing problem.' There are about 1,600 Navy enlisted men's families in the area now, and others can be expected as the size of the Navy increases, he said. * * *."

5. Typical reports from local officials revealing critical need for housing persons in defense activities.

Prospective arsenal employees now refusing work in Rock Island (Ill.) owing to housing shortage:

"Lack of housing compels many hundreds local industrial workers to live in other cities. Only 35 Rock Island dwelling units not occupied. All of these substandard. Housing situation acute even without increased demands for arsenal workers. Prospective arsenal employees refusing work owing to housing shortage."

Housing situation in Newark, N. J., as bad or worse than during World War:

"We will have a situation as bad or even worse in our vicinity as we had during the World War. I was mayor of the city of Newark at that time. * * * Today, in my section we have a new plant * * * which makes airplanes. * * * There is the Federal shipyards right across the river from us and they are building ships and they are going to get more contracts and they will increase to a very great extent the number of employees. * * * The Curtiss-Wright airplanes has a plant located nearby. * * * Must provide additional housing in the city of Newark, because today we have a very small percentage of vacancies * * *. I know that the moment this defense program gets under way * * * Newark will be one of the many cities throughout the country to have to house additional people, and something will have to be done about it."

Naval station reopened at Key West, Fla., and not a house available for families of men:

"Key West has a serious housing shortage. It has been made more acute in the past months by the reopening of our naval station and the enlargement of its personnel. There is at the present time not a house or apartment available for any of these families."

Expansion of aircraft and shipbuilding industry confronted with acute housing shortage as five major plants in Los Angeles, Calif., increase employment from 19,000 to 40,000:

"Los Angeles acute housing problem principally related to aircraft industry. Five major plants today employ 40,000, while January 1, same plants employed but 19,000. All plants plan for extensive increase over present employment and all plants located in districts with existing housing shortages. Navy fleet base, air and water facilities, being tremendously increased. Shipbuilding employment immediately increasing from 400 to 5,000. All these increases to be considered in relation to over-all industrial employment. Increase of 90 percent in Los Angeles County during past 12 months."

Can't see how new defense plans can get running in Pittsburgh, Pa., unless housing provided:

"The special need of housing in the district I come from—Pittsburgh, Pa.—where perhaps is concentrated the greatest industrial plants in the world. Recently * * * plants were built * * * and no housing has been built to accommodate the workers. * * * These plants produce the basic materials which will be used in rearmament. I can't see for the life of me how these plants can get to running * * *. I can't see how the workmen in those plants are going to be housed unless some program is developed for the housing authority. We in Pittsburgh have repeatedly consulted with owners of these plants, particularly the United States Steel Co., with the idea of inducing them to build homes. They say, 'We don't want to go into the real-estate business. We had experience in the real-estate business and don't want more of it.'"

6. Typical quotation of an airplane manufacturer.

A typical statement of the position of defense industry in America is this one from the United Aircraft Co. of Hartford, Conn.:

"The entire aircraft industry is faced with the problem of getting enough skilled labor to work on the new defense orders. This problem is very critical in Hartford, Conn., where many thousands

of workers have to be drawn from other towns and where there are practically no houses to accommodate them once they get here. There is a constant labor turn-over which seriously impairs the efficiency of our operations."

Various types of housing necessary: Even though the present emergency may be of short duration, it is a mistake to assume that only temporary housing construction is desirable. Both temporary and permanent housing are needed.

(1) Temporary housing: In certain areas where military and naval posts are far removed from cities and housing is needed because of a temporary increase in military and naval personnel at such posts, temporary housing is certainly advisable. Similarly, in remote communities where there are located proving grounds or other dangerous industries which would be in existence only during the emergency, temporary housing is the type needed. In fact, in any case where there is doubt as to the need for the housing after the emergency temporary housing should be built.

(2) Permanent housing: In many communities there has long been an acute and serious shortage of decent housing even prior to the emergency. In such communities it would be very wasteful to construct housing of a temporary nature because it costs little more to put up the permanent housing which is needed and which can be used after the emergency. Such communities comprise a large number of cities which are near military or naval bases, such as Columbus, Ga.; Portsmouth and Newport News, Va.; Charleston, S. C.; Newport, R. I.; and Montgomery, Ala. A large number of cities where defense industries are located are also in this category, such as Bridgeport and Hartford, Conn.; Camden, N. J.; Akron and Youngstown, Ohio; Detroit, Mich.; and Pittsburgh, Pa.

During the World War it was found that temporary makeshift housing was unsatisfactory in such industrial communities, even during the emergency, since the workers housed in them were dissatisfied and often left the community after they were trained for their jobs. This large labor turn-over seriously hampered production and the filling of war orders.

To get full value for the money expended it is elementary economy that the money should be spent in a way which will result in the maximum return or benefit. Where it is clear that there is a need only for temporary housing, only temporary housing should be built. Where, however, it is clear that there will be a need for the housing after the emergency and a relatively small increase in construction cost is involved, housing should be constructed which can be used after the emergency.

In any case the housing will be built with an estimated life corresponding to the estimated period of the need.

ALL GOVERNMENT AGENCIES NEEDED

1. Why Army and Navy can't do all: A growing part of the housing need in connection with the defense program is arising in connection with expanding defense industries. Workers will have to be brought into communities where manufacturing plants are being expanded to fill defense orders. These workers will have to be furnished with housing. At this time when the War and Navy Departments have such a tremendous job, there is no reason for imposing upon them the additional job of constructing and operating housing in industrial cities in order to meet the needs for these industrial workers. The energies of the War and Navy Departments should not be diverted from the essential military and naval tasks which they alone can do. The Navy Department must concentrate its energies in the building of ships. It should provide only that housing which its staff is already equipped to provide—such as housing actually located on naval posts.

2. Other agencies ready to help: We are more fortunate today than we were during the World War, because there now exist many qualified agencies to help in providing the housing needed. We have Federal as well as local agencies available. In the Federal Government, we have the United States Housing Authority, the Public Buildings Administration, the P. W. A., W. P. A., F. H. A., R. F. C., and a number of other agencies all of which have facilities which may be utilized. In our own local communities we have local public housing agencies which are thoroughly familiar with local housing conditions and are ready to serve. There exist today 450 of these local public housing authorities. These local authorities are operated by public-spirited business and civic leaders in the local communities who are appointed by the mayors and serve without compensation. Any of you who have inquired in your communities know that these local public housing agencies are doing a splendid job. The President should be able to use these local functioning agencies to provide some of the housing, just as he should be able to use the facilities of the various agencies of the Federal Government.

3. Examples of what local authorities have done: At the request of the War and Navy Departments, a number of local housing authorities have already undertaken housing projects to provide housing for persons engaged in national-defense activities. For example, local authorities are building housing at Portsmouth, Newport News, and Norfolk, Va., to meet the needs of men who are being brought there for work in the shipbuilding program at the navy yard; at Corpus Christi, Tex., to house men brought to the new naval air station; at Columbus, Ga., for families of married enlisted men who are being added to the staff at Fort Benning; at Pensacola, Fla., for naval personnel engaged in the expanding aviation training operations; and at Rock Island and East Moline, Ill., for civilians being hired to work at the expanding Government arsenal.

In each case, these local authorities are building housing at the request of the War and Navy Departments. In 18 cities, there are now housing authorities which are engaged in the construction of a total of about 8,000 dwellings for persons engaged in national defense activities. These local authorities are setting a record for speedy construction. Two shifts of workers are being used and new homes will be occupied in some cases within 120 days after the construction contract has been let. In all cases, these local authorities will have tenants moving into their projects in less than 6 months after the ground breaking. This is an example of the results achieved when we devote existing machinery to defense purposes.

The homes built by these local authorities in established communities will be community assets which, after the emergency, can be used for families from the slums. Yet, these soundly constructed homes are being built at construction costs which are only a little higher than what it would cost to put up temporary makeshift housing that would be of no use after the emergency.

(Note: Attached is a list of defense housing projects undertaken to date with funds loaned by U. S. H. A.)

HOUSING MISTAKES IN LAST WAR

1. Lack of adequate housing agencies; only two emergency war housing corporations used

Even when steps were taken during the last war, only two emergency agencies were utilized, the United States Housing Corporation and the Emergency Fleet Corporation. Before these agencies could organize and "get going" the war was over.

Today there are a number of Federal agencies which are each qualified to do a part of this job. Moreover, there are hundreds of local public agencies available all over the country which are already organized and experienced in building housing on a large scale. If the present housing needs are to be met in time, these available agencies should be utilized.

2. Facts on deplorable situation

During the World War steps to meet the pressing housing needs were not taken until too late. A very graphic picture of actual disastrous results in war industries because of housing conditions is presented by the following excerpts from Government and other contemporary reports describing housing conditions during World War years.

Three hundred and sixty percent monthly labor turn-over in Elizabeth, N. J., due to housing conditions, so company stops advertising for men it can't keep:

"The turn-over here is 360 percent per month—550 percent unskilled and 130 percent skilled labor; the men brought to Elizabeth have to pay such high rents. There are tenements available, but they are in such poor condition that they are practically uninhabitable. The company has built dormitories but they are overcrowded. It is taking on 100 men a day. In the next 3 months 8,000 men are needed. * * * The company has stopped advertising for men because it cannot keep them."

Mechanics coming from long distances leave after a few days because can't find living quarters within reasonable distance of Portsmouth, N. H.:

"It is impossible to obtain living quarters anywhere within reasonable distance of the navy yard * * * a large number of the best mechanics, accustomed to a fair standard of living, are unwilling to put up with these conditions although in many cases they have come here from long distances at great expense. They work only a few days and then leave, while their experiences influence others to stay away."

Can't increase or even maintain force at Washington Navy Yard because men unwilling to live away from families for whom they can't find housing:

"* * * unless prompt measures are taken to relieve the scarcity of housing, it will be impossible for the factory to increase or even maintain its present force, as many of the new men who have come from a distance with the expectation of bringing their families to Washington later, have been unable to find accommodations and are unwilling to remain permanently without their families."

Discontent and dissatisfaction with housing conditions in Alabama nitrate towns causes 400 percent labor turn-over in spite of high wages:

"The housing facilities at present existing are entirely inadequate to provide for this large influx and, while a large number engaged in construction work are housed in cantonments at the side of the works, many are living in town under congested conditions, which in addition to the potential dangers from overcrowding, are causing discontent and dissatisfaction. This is clearly reflected in the large labor turn-over, estimated at 400 percent, which obtains in spite of high wages."

Workers request their discharge because they can't obtain reasonably comfortable housing in navy yard at Mare Island, Calif.:

"The growing need for additional employees at this yard necessitates a solution of the housing problem in Vallejo. It is almost impossible for employees coming from other places to secure accommodations and men taken on often request their discharge as they are unable to obtain reasonably comfortable accommodations in Vallejo within their means * * *."

Disastrous delays in delivery of war materials because housing not available in Bridgeport, Conn.:

"It was stated that during the past 2 years the Bridgeport pay roll had increased at the rate of $500,000 per week. High rents were stated to be absorbing fully a quarter of this. Owing to the decline of home building after the outbreak of the European war, the city had become dangerously overcrowded. Practically all the Bridgeport industries were engaged in war work. Existing plants had been extended, unused plants had been rehabilitated, and new plants

had been built. With no new housing available and with existing quarters crowded far beyond the point of comfort or safety there could be but one result. The plants working on cost-plus contracts were bound to draw labor away from those working on fixed-price contracts and thus contribute to disastrous delays in the delivery of war materials."

Thus, the housing emergency during the last war translated itself into a labor emergency which seriously hampered production and the filling of war orders. This can be prevented during the present emergency only by taking immediate steps to assure the rapid providing of the necessary housing.

MOST OF MONEY TO BE RETURNED TO GOVERNMENT

Rents will be charged in all projects and will be applied toward the repayment of the cost of constructing these projects. In the case of projects constructed for industrial workers in defense industries, it is expected that the incomes earned by such workers will make it possible to charge sufficient rents to return the cost of the projects to the Government with interest. In the case of projects for married enlisted personnel, the rents charged should be sufficient to return most of the cost of the project to the Government. The probabilities of a full return of a project's cost to the Government is naturally greater in the case of those projects which involve permanent construction and can therefore be used after the emergency. In the case of projects undertaken by local agencies, the moneys would be advanced only in the form of repayable loans. Thus, the money to be appropriated for defense housing will not only be for an essential defense purpose, but will involve an investment on which we can confidently expect that most of the money will be returned to the Government.

AMERICAN FEDERATION OF LABOR,
Washington, D. C., August 27, 1940.

Hon. ROBERT F. WAGNER,
United States Senate.

DEAR SENATOR WAGNER: You will, I am sure, be interested in seeing the enclosed copy of a letter which I wrote to the President recently with regard to defense housing and a copy of the President's reply to me.

I am gratified to know that the President's views are in accord with those that you and I hold and that are embodied in your proposed amendment to H. R. 10263, now before the Senate.

There is no need to stress to you the vital interest which the American Federation of Labor has in the provision of adequate housing accommodations for the workers who are making their contribution to our country's defense efforts. I know you will agree that on the proper housing of workers in defense industries will depend much of the speed and effectiveness of defense production.

I do want to say to you that the American Federation of Labor has studied carefully and considered with grave deliberation the methods for carrying defense housing work forward most efficiently and economically.

It is of special importance that our painful experience with defense housing of more than 20 years ago be neither forgotten nor overlooked in making the necessary provision for our present defense housing needs. Construction of mushroom cantonments and flimsy shacks cannot provide adequate shelter for defense workers. Such housing, moreover, is an outright waste, because it cannot be put to productive use at the conclusion of the emergency and serves to produce new slums which blight the community for years to come.

We believe, further, on the basis of long experience and study, that while private enterprise has a large place in the provision of housing, the adequate housing of defense workers cannot be accomplished without a substantial amount of public housing devoted to this purpose.

We know also that the provision of this public housing quickly and smoothly and with the maximum of economy requires the use of those local and Federal agencies which have already demonstrated their skill in this field. Labor will, of course, cooperate with all fair efforts to provide defense housing. But labor can cooperate most effectively and make the largest contribution to this program through the use of those laws and those agencies which have accumulated operating experience, which have developed adequate labor standards, with whose work labor is familiar, and in whose policies labor has complete confidence.

That is why I am particularly impressed with the wisdom of your amendment insofar as it makes available for the construction of defense housing not only the facilities of the War and Navy Departments, but also the facilities of all such other local and Federal agencies upon which the President may call to do this job. It is a tremendous job, involving many types of construction adaptable to the needs of different communities and different types of occupants, such as the families of enlisted men, civilian employees of our military establishments, and workers in the expanding industrial plants. To do this job well the tested and best-equipped facilities of our Government should be put to work, yet wasteful duplication of functions and creation of surplus agencies and personnel should be avoided. Your proposed amendment meets these requirements excellently. Labor believes that only a broad and flexible approach to the problem, embodied in your proposed amendment, can meet even the most immediate need.

Sincerely yours,

WM. GREEN,
President, American Federation of Labor.

JULY 29, 1940.

The PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: Knowing your keen desire to develop the national-defense program in a way which would utilize to the fullest extent resources and facilities at our disposal, I wish to urgently call your attention to the pending national-defense housing program, in which labor is so vitally concerned.

On Thursday, August 1, the House will consider the Navy Public Works bill, H. R. 10200, which has been reported by the Naval Affairs Committee. Section 2 of this bill would make available $250,000,000 for use in the building of defense housing projects. Public, No. 671, approved June 28, 1940, provided the means of undertaking a national-defense housing program and set up the machinery for it, but authorized no funds. This bill, H. R. 10200, would provide the funds necessary to carry it out.

After the Naval Affairs Committee unanimously reported H. R. 10200, the press carried reports that Congressman VINSON was planning to offer an amendment on the floor to substitute a direct appropriation of $25,000,000 for the construction of housing by the Navy Department for workers in defense industries located in cities.

This should not be done. Organized labor is deeply interested in the development of an integrated and sound program of defense housing which would make adequate housing facilities available to industrial workers and at the same time assure the fullest possible utilization of these facilities to fill the need for workers' housing after the emergency. Our careful study of the entire defense housing problem has disclosed a number of compelling reasons why section 2 of H. R. 10200, as reported by the committee, should be kept intact.

There are now local housing authorities in almost 500 cities in the country who are thoroughly familiar with the problems and housing needs of their communities. These agencies are most qualified to undertake housing projects for industrial workers and to develop a coordinated and balanced defense housing program in cooperation with the United States Housing Authority. The Navy and War Departments could properly supervise the building of naval and military housing, but there is no reason why they should be made responsible for housing industrial workers. H. R. 10200, in the form reported by the committee, would operate under the plan embodied in Public, No. 671, which would enlist all available agencies to the extent that each is qualified to undertake a particular type of projects. By using all available agencies we can be assured of the development of the best housing projects with the greatest possible speed and efficiency.

Under H. R. 10200 the funds for construction would be obtained through the issuance of U. S. H. A. bonds which ultimately can be paid out of the rents and income from the projects constructed. This would obviate the need for direct appropriation and would place no added burden upon the Federal Budget.

The plan embodied in Public, No. 671, and H. R. 10200 would prevent the infringment of defense housing on the private-housing market, as it requires that no project be undertaken if private enterprise could meet the need. At the same time, it is clear that the vast bulk of defense housing cannot and will not be provided by private enterprise because private builders cannot assume the risks of undertaking housing projects when the immediate housing need results from the sudden migration of armies of industrial workers to areas of expanding defense activities, and the permanent housing needs remain uncertain.

By operating under Public, No. 671, the President can utilize the U. S. H. A. and the local housing authorities under a plan which will assure that after the emergency the defense housing would automatically be converted into low-rent housing projects for persons of low income now compelled to live in slums. The construction of defense-housing projects now with a view to this future use will avoid flimsy, temporary housing which is costly and wasteful in the end. This approach would, moreover, preclude the possibility of diverting the energies of the Navy and War Departments from the essential task of naval and military expansion which they alone can do. It will be wasteful, burdensome, and impractical to impose upon the Navy and War Departments the job of developing and operating housing in cities during the emergency and of disposing of this housing after the emergency, instead of devoting all their energies to the essential task for which they are qualified.

To start a national-defense housing program which will prevent our program of national defense from bogging down, $250,000,000 is the minimum needed. There is a tremendous and urgent need for housing of the industrial workers who are being brought to areas of expansion of defense industries. We must provide homes immediately for these workers or we will again be faced as we were during the World War with large labor turn-overs in our defense industries and a slow-up in production.

In the light of these considerations, I call upon you for support of the housing provisions in H. R. 10200 as reported by the committee. I believe it is imperative that steps be taken at once to avoid the adoption of any substitute amendment which would cut the funds to be provided for defense housing, and which would misdirect the authority in the administration and development of a program so vitally important to the welfare of our workers in the defense of our Nation. I strongly believe that the adoption of the amendment as reported by the Naval Affairs Committee

would remove the threat of a grave jeopardy to labor and avoid bogging down the whole defense program. I earnestly urge your personal action in this vitally important matter.

Respectfully yours,

WILLIAM GREEN,
President, American Federation of Labor.

THE WHITE HOUSE,
Washington, August 23, 1940.

MR. WILLIAM GREEN,
President, American Federation of Labor,
A. F. of L. Building, Washington, D. C.

MY DEAR MR. GREEN: I have your letter of July 29, 1940, in support of the item of $250,000,000 (contained in the Navy public-works bill, H. R. 10200), for implementing the national-defense housing program authorized by title II of the act approved June 28, 1940 (Public, No. 671, 76th Cong.).

I am in general accord, as I think you know, with your views on the subject of national-defense housing; and, following the elimination of the item in the Navy public-works bill, I authorized the Director of the Bureau of the Budget to advise Senator WAGNER, as per the attached copy of the Director's letter of August 19, that it would be agreeable to my budget program to have inserted in the second supplemental national-defense appropriation bill (H. R. 10263), a defense housing-appropriation item of $150,000,000 to be expended in such manner and by such agencies as the President should determine.

Sincerely yours,

FRANKLIN D. ROOSEVELT.

AUGUST 19, 1940.

Hon. ROBERT F. WAGNER,
United States Senate.

MY DEAR SENATOR WAGNER: With your letter of August 15 you transmitted a copy of a proposed amendment to the pending supplemental national-defense appropriation bill to provide for housing for defense workers. The provision for additional housing is a necessary incident to our defense program.

While the Bureau is thoroughly in agreement with the objectives to be attained by your proposed amendment, it is felt that a somewhat more flexible method is necessary to insure that the defense program be not impeded. I am therefore suggesting a modification of your proposal which I believe will permit the President to more widely utilize existing construction agencies of the Federal Government. In this amendment the proposed amount is likewise reduced to $150,000,000, since the information available to this Bureau indicates that for the present this sum should prove adequate.

There is set forth below the modified amendment to which the Bureau of the Budget would offer no objection if included in the pending appropriation bill.

For all necessary expenses, including acquisition of real property or interests therein, to enable the President to provide housing and facilities incidental thereto for persons engaged in national-defense activities in areas where it is determined by the President that there is or otherwise would be an acute housing shortage which would impede or delay the national-defense program, $150,000,000, to be immediately and continuously available until expended and to be expended, without regard to section 3709, Revised Statutes, in such manner and by such agencies of the United States as the President may determine.

Sincerely yours,

HAROLD D. SMITH, *Director.*

Mr. McKELLAR. Mr. President, I ask unanimous consent to return to the amendment which was offered a few moments ago to which the Senator from Wisconsin raised objection.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the amendment is before the Senate.

Mr. LA FOLLETTE. Mr. President, if it is agreeable to the Senator to modify his amendment, I suggest that it be modified in the following manner:

On line 7, after the word "business", strike out the words "in the" and insert the words "in a", and after the word "State", strike out the remainder of line 7 and 8, and insert "of the United States", so that it will read:

unless such firm, corporation, association, or individual is licensed to do an insurance business in a State of the United States.

I send it to the desk, and ask that it be read.

Mr. McKELLAR. Let it be read by the clerk.

The PRESIDING OFFICER. The amendment, as proposed to be modified, will be stated.

The CHIEF CLERK. On page 29, after line 19, it is proposed to insert the following:

No insurance firm, corporation, or association, or individual insurer shall be acceptable as an insurer for any contractor or subcontractor performing any contracts for the United States of America, or any Department thereof, in connection with the national-defense program, unless such firm, corporation, association, or individual is licensed to do business in a State of the United States.

Mr. McKELLAR. Mr. President, that is all right.

Mr. PEPPER. I hope the Senator will give others a chance to comment on the proposal.

Mr. McKELLAR. Certainly. I yield the floor.

Mr. PEPPER. Mr. President, I have not had a chance to secure a copy of the amendment as proposed to be modified, but as it was first offered the effect of it is that the insurer shall be qualified to do business under the law of the State where the work is being carried on. In other words, if in the State of Mississippi a national-defense project is being constructed the contractor would obtain insurance relative to that project from an insurance company qualified to do business in the State of Mississippi. The amendment of the Senator from Wisconsin would provide that if the project is being carried on in Mississippi the contractor could take out an insurance policy with a company qualified to do business in Delaware, or any other State in the Union. It seems to me——

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

Mr. PEPPER. I yield.

Mr. McKELLAR. Mr. President, that is all right for this reason. There ought to be competition in insurance. The purpose of the amendment was simply to prevent a foreign corporation, illegally doing business in the United States, from obtaining such insurance. The amendment does not undertake to limit insurance to a certain State; it was never intended to do that; it ought not to do that. There ought to be competition in insurance. For that reason, I agreed to the suggestion of the Senator from Wisconsin. I think it is very proper, and I hope it will be adopted.

Mr. PEPPER. Mr. President, I had not yielded the floor; I thought the Senator desired to ask a question.

Mr. McKELLAR. I merely desired to make that statement.

Mr. PEPPER. Mr. President, the amendment as it was offered by the committee, it seems to me, does the right thing of requiring the insurance company that insures a contractor to be qualified to do business in the State where the contract is being performed.

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

Mr. PEPPER. I yield.

Mr. TYDINGS. I have not given this matter any thought, and I have a little difficulty in understanding exactly what the Senator is proposing as a proper course. Suppose, for example, there was an insurance company qualified under the laws of Florida and there was another insurance company qualified under the laws of Kentucky, and that a contractor building a project in Kentucky should desire to give an insurance company in Florida the insurance on the project, why should he not have the right to do so?

Mr. PEPPER. I am afraid I did not make myself clear to the Senator. I am afraid he did not understand the original amendment. Let me read the original amendment which was offered by the committee:

SEC. 302. No insurance firm, corporation, or association, or individual insurer, shall be acceptable as an insurer for any contractor or subcontractor performing any contracts for the United States of America, or any department thereof, in connection with the national-defense program, unless such firm, corporation, association, or individual is licensed to do an insurance business in the State or Territory in which the contract is to be performed.

Mr. TYDINGS. Mr. President——

Mr. PEPPER. If the Senator will allow me to proceed for a moment, under the original amendment the general requirement of a State that an insurance company that does business within its borders shall qualify under the laws of the State is preserved, but the amendment of the Senator from Wisconsin would change that, and say that a contractor may insure a contract that is being performed in the State of Georgia with some company that is not qualified to do business in the State of Georgia.

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

Mr. PEPPER. I yield.

Mr. TYDINGS. As I understand the effect of the original amendment, if the United States Government was building a project in Florida the contractor could not insure the project in any company except one authorized to do business in Florida.

Mr. PEPPER. That is the original amendment.

Mr. TYDINGS. If Florida itself were building the project, in my judgment, the position of the Senator from Florida would be sound; but the particular project is not a Florida project; it concerns the whole United States of America, and every other insurance company that is a bona fide going concern ought to have a right to do business there, assuming that it is qualified to do it in the State where it does its main business. I do not think it would be proper to limit the insurance to the State in which the contract is to be performed when all the people of America must pay for the project.

Let me illustrate further, if the Senator will yield to me for a moment. In my State, for example, there may be practically no Federal projects; in the Senator's State or in some other State there may be four or five large projects. I am glad if that be so; I am not criticizing that; but, if the insurance business, too, is to be concentrated in that State, it seems to me there would be a lack of proportionate distribution of what may be called the defense program. It so happens in the Senator's State, because of its admirable location and climate—Californians take no issue—that there are many defense projects under way. The contractor who is building a project should not be necessarily a qualified contractor for the State of Florida; he might come from Michigan or Massachusetts or Rhode Island or Louisiana. So it would be with the insurance company. It seems to me if the insurance company is eligible to do business in any part of the United States it ought to be eligible to insure the work in the State of Florida.

I do not know whether the Senator from Wisconsin has modified the amendment in line with my remarks, but I hope he has, and, if his modification carries out the idea I have expressed, and throws the business open to the whole country I should like to vote for the amendment as modified.

Mr. PEPPER. That is the purpose of the amendment of the Senator from Wisconsin.

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

Mr. PEPPER. I yield.

Mr. LA FOLLETTE. The effect of the modification which the Senator from Tennessee has made in his own amendment is to provide that if an insurance company is licensed to do business in any State of the Union it may qualify as an insurer upon these contracts.

With the indulgence of the Senator from Florida, I should like to point out that my only concern about this matter is that there shall not be imposed such a limitation as in the end will result in the contracts costing the Government more money than they need to. We all know that they are going to cost the Government plenty under any circumstances. Why should we prevent competition and the lowest possible insurance rate, any more than we should provide that all the material should come from a certain State, regardless of what it costs, and all the tools should be purchased in a particular State, regardless of what they cost?

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

Mr. PEPPER. The Senator from Florida will yield the floor, and then other Senators may say anything they wish to say.

Mr. TYDINGS. I should like to ask the Senator from Wisconsin a question without taking the Senator from Florida off the floor.

Mr. PEPPER. If the Senator will let me conclude my remarks, the Senator then may make any comments he wishes.

I rose simply to oppose the amendment offered by the Senator from Wisconsin on the theory that I saw no reason why the general effect of a State law requiring any insurance company doing business in that State to qualify under the laws of the State should be dispensed with. I do not think it is similar to the analogy of materials being brought in from other States, because, generally speaking, it is not necessary to pass the qualifications of a State law to bring in material of a certain sort; and, after all, it is the Government which is going to use the material. But the laws of the several States require that insurance companies doing business in those States shall qualify under the laws of the States; and this amendment is intended to defeat that requirement of the State laws. I do not see any reason why a company which is domiciled in Delaware or Maryland or Massachusetts or any other State should not have the same right to get one of these Government insurance contracts. There is no question about competition in that sense; but they all ought to be required to qualify under the laws of the State in which the contract is being performed.

That is the only comment I desired to make.

Mr. RUSSELL. Mr. President——

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

Mr. PEPPER. I yield to the Senator from Georgia.

Mr. RUSSELL. When this matter was submitted to the committee it developed that certain insurance companies which were not authorized to do business in the United States, and were not subject to the tax laws of the United States, had obtained business particularly with respect to some contracts negotiated at the Panama Canal. The amendment offered by the Senator from Wisconsin, of course, would not affect that phase of the question, but I happen to recall that the specific insurance involved in the case brought to the attention of the committee was a contract of insurance to pay the claims of any workmen who might be injured during the course of the construction of the project. It occurs to me that if the courts of the State in which the contract is being performed do not have jurisdiction of the insurance company, the poor workman who may be injured on a project would be forced to leave his own State and go off somewhere else to obtain jurisdiction of his cause to secure his rights under the workmen's compensation law. I assume that that is the reason why the words "State or Territory" were placed in this amendment, because the case which was brought to our attention only involved a contract of insurance to pay claims arising under workmen's injury in the course of construction of a project, and certainly I do not want to approve or agree to any amendment which will require some workman who falls off a scaffold in Florida to go to Wisconsin or anywhere else to obtain redress for injuries received in the course of his employment.

Mr. PEPPER. Mr. President, I thank the Senator from Georgia very much. That is the sort of thing I was trying to get at.

In the very nature of things, a great many of the persons employed on these contracts will be local people. Most of them will be workingmen. As the able Senator from Georgia has pointed out, if the contractor fails to live up to his obligation to pay his laborers it is the insurance company that is the insurer. I do not understand that the United States Government will pay the laborers if the contractor does not pay them. So the worker ought to have resort to somebody on whom he can get service, and the same thing applies to materials bought in the local community.

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

Mr. PEPPER. I yield to the Senator from Maryland.

Mr. TYDINGS. Under a provision adopted earlier in the day, which I hope will be corrected, there will be absolutely no insurance at all on these contracts, either for workers or for materials.

Mr. HAYDEN. It depends entirely upon the kind of contracts.

Mr. TYDINGS. I mean, it is optional whether there shall be any bonds for performance or for proper workmanship. I think the provision was inadvertently put in; but up to the present time it would be perfectly possible to let a contract

involving millions and millions of dollars without the contractor giving any bond at all for the character of the materials or the quality of the workmanship used in fulfilling the contract.

Mr. HAYDEN. Only in the case of cost-plus and fixed-fee contracts; no other kind of contract.

Mr. TYDINGS. In the case of that particular kind of contract, if the Senator will yield, there is more need for a bond than in any other kind, because the lid is wide open, and it would be perfectly possible for a contractor to take the full amount of his pay without paying his subcontractors. That has been done, and the Government has had to go down into its pockets the second time after it had paid the first time for materials.

Mr. HAYDEN. That was during the World War; was it not?

Mr. TYDINGS. I do not remember the date.

Mr. PEPPER. Mr. President, I will only add that while I do not personally agree with that policy, as I assume the Senator from Maryland does not agree with it, whether that is the legal requirement or not I believe we will all agree that as a matter of practical business the contractors will obtain insurance; and, if they do obtain insurance, there should be some way in which the companies can be amenable in the courts of the State.

The PRESIDING OFFICER (Mr. CHANDLER in the chair). The question is on agreeing to the amendment offered by the Senator from Wisconsin.

Mr. LA FOLLETTE. Mr. President, a parliamentary inquiry. It was my understanding that the Senator from Tennessee had modified his amendment.

Mr. JOHNSON of Colorado. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator from Colorado will state the point of order.

Mr. JOHNSON of Colorado. This is a divisible legislative question, and I insist that it be divided.

Mr. LA FOLLETTE. Then I make the point of order, under the rule, that this is general legislation on an appropriation bill.

Mr. McKELLAR. Mr. President, I have a motion to suspend the rule.

The PRESIDING OFFICER. The Chair sustains the point of order raised by the Senator from Wisconsin.

Mr. McKELLAR. Mr. President, several days ago I gave notice of a motion to suspend the rule, and I ask that it be voted on.

The PRESIDING OFFICER. The question is on the motion of the Senator from Tennessee to suspend the rule for the purpose of offering an amendment.

Mr. LA FOLLETTE. On that question I ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays are requested. Is the demand seconded?

Mr. LA FOLLETTE. 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	Lee	Sheppard
Andrews	Donahey	Lucas	Shipstead
Ashurst	Downey	Lundeen	Slattery
Austin	Ellender	McCarran	Smathers
Bailey	George	McKellar	Smith
Bankhead	Gerry	Maloney	Stewart
Barkley	Gibson	Mead	Taft
Bone	Glass	Miller	Thomas, Idaho
Bridges	Green	Minton	Thomas, Okla.
Brown	Guffey	Murray	Thomas, Utah
Bulow	Gurney	Neely	Tobey
Burke	Harrison	O'Mahoney	Townsend
Byrd	Hatch	Overton	Truman
Byrnes	Hayden	Pepper	Tydings
Capper	Herring	Pittman	Vandenberg
Caraway	Hill	Radcliffe	Van Nuys
Chandler	Holt	Reed	Wagner
Chavez	Hughes	Reynolds	Walsh
Clark, Idaho	Johnson, Calif.	Russell	Wheeler
Clark, Mo.	Johnson, Colo.	Schwartz	White
Connally	La Follette	Schwellenbach	Wiley

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

The yeas and nays have been requested on the motion of the Senator from Tennessee that the rule be suspended in accordance with notice, which is in due and legal form, heretofore presented by the Senator from Tennessee.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question before the Senate is, Shall the rule be suspended? Two-thirds of the Senators must vote in the affirmative, if the rule is to be suspended in accordance with the notice of the Senator from Tennessee.

Mr. McKELLAR. Mr. President, when I offered this amendment it was adopted by the committee, and if I have a right, I should like to withdraw the motion.

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. McKELLAR. The question is whether or not I have the right to withdraw the motion.

The PRESIDING OFFICER. Without objection, the Senator from Tennessee will be permitted to withdraw the motion. The order for the yeas and nays is vacated, if there is no objection.

Mr. McKELLAR. Mr. President, I offer an amendment in my individual capacity, not as a member of the Committee on Appropriations.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to strike out line 23 on page 9, and to insert in lieu thereof the following:

SEC. 302. Nothing in titles 1 and 2 hereof shall be deemed to render inapplicable the provisions of the act of March 3, 1931, as amended by the act of August 30, 1935 (49 Stat. L. 1011, U. S. Code) or the provisions of the act of June 30, 1936 (49 Stat. 2036, U. S. Code, title 41, secs. 35–45), to any contract or contracts to which the provisions of either or both of such acts would otherwise apply.

SEC. 303. Notwithstanding any other provision of law, the wages of every laborer and mechanic employed by any contractor or subcontractor engaged in the performance of any contract of the character specified in the act of June 19, 1912 (37 Stat. 138, U. S. Code, title 40, secs. 324, 325), shall be computed on a basic day rate of 8 hours per day, and work in excess of 8 hours per day shall be permitted upon compensation for all hours worked in excess of 8 hours per day at not less than one and one-half times the basic rate of pay.

Mr. McKELLAR. Mr. President, in explanation of the amendment I wish to say that it merely repeats what is the law now, in case it were possible there might be ground for some department assuming that the proposed law repealed the former laws on the subject of wages. I have submitted the amendment to the War Department, the officials of the War Department examined it, and say they have no objection to it, that it is exactly what they propose to do anyway. I ask that the amendment be agreed to, in the interest of justice to laboring people.

Mr. DANAHER. Mr. President, on what page does the amendment appear?

The PRESIDING OFFICER. The clerk will state, for the information of the Senate.

The CHIEF CLERK. Line 23, page 9.

Mr. DANAHER. There seems to be some typographical error.

Mr. THOMAS of Utah. I think it should be page 29.

Mr. McKELLAR. Yes; that was a mistake.

The PRESIDING OFFICER. After line 22, on page 29.

Mr. DANAHER. Let me assure the clerk that that makes a vast difference. I now ask that the amendment be restated.

The PRESIDING OFFICER. Without objection, the clerk will restate the amendment.

The CHIEF CLERK. After line 22, on page 29, it is proposed to insert the following:

SEC. 302. Nothing in titles I and II hereof shall be deemed to render inapplicable the provisions of the act of March 3, 1931, as amended by the act of August 30, 1935 (49 Stat. 1011, U. S. Code, title 40, sec. 276 (a)), or the provisions of the act of June 30, 1936 (49 Stat. 2036, U. S. Code, title 41, secs. 35–45), to any contract or contracts to which the provisions of either or both of such acts would otherwise apply.

SEC. 303. Notwithstanding any other provision of law, the wages of every laborer and mechanic employed by any contractor or subcontractor engaged in the performance of any contract of the

character specified in the act of June 19, 1912 (37 Stat. 138, U. S. Code, title 40, secs. 324, 325), shall be computed on a basic day rate of 8 hours per day and work in excess of 8 hours per day shall be permitted upon compensation for all hours worked in excess of 8 hours per day at not less than one and one-half times the basic rate of pay.

Mr. AUSTIN. Mr. President, I cannot recall what the several statutes, which are merely mentioned by number, provide. I should like to ask the Senator from Tennessee what they are.

Mr. McKELLAR. One is the Bacon-Davis law, and the other is the Walsh-Healey Act. They are the law now. This merely brings the bill clearly within those laws so far as the provisions for the 8-hour day and time and a half for overtime are concerned.

Mr. AUSTIN. I understood three acts were referred to.

The PRESIDING OFFICER. The clerk will again read the acts referred to.

The Chief Clerk read as follows:

The act of August 30, 1935 (49 Stat. 1011, U. S. C., title 40, sec. 276 (a)), or the provisions of the act of June 30, 1936 (49 Stat. 2036, U. S. C., title 41, secs. 35–45), * * * the act of June 19, 1912 (37 Stat. 138, U. S. C., title 40, secs. 324, 325).

Mr. AUSTIN. What is the third act?

Mr. McKELLAR. That is the 8-hour-day law.

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

The amendment was agreed to.

Mr. THOMAS of Utah. Mr. President, in connection with this amendment, I ask unanimous consent to have inserted in the RECORD as a part of my remarks the statement which I send to the desk.

The PRESIDING OFFICER. Is there objection?

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

SUGGESTED AMENDMENTS TO H. R. 10263 (SECOND SUPPLEMENTAL DEFENSE APPROPRIATION ACT, 1941)

I. Application of Walsh-Healey and Davis-Bacon Acts to contracts covered by this appropriation bill

Title I of H. R. 10263, in the paragraph beginning on page 6 of the bill captioned "Expediting production," authorizes the Secretary of War under certain circumstances to make contracts without regard to the provisions of section 3709 of the Revised Statutes. Section 3709 of the Revised Statutes is the section which provides that contracts shall be let through public bidding.

Title II of the bill, in the paragraph beginning on line 25 on page 24 and continuing through line 8 on page 25, authorizes the Secretary of Navy to negotiate cost-plus-a-fixed-fee contracts without competitive bidding. The effect of the provisions in titles I and II may be to suspend the Walsh-Healey Public Contracts Act and the Bacon-Davis Act.

The Walsh-Healey Public Contracts Act provides that the contracting agencies of the United States Government, including the War and Navy Departments, shall require stipulations in bids that the contractor will pay the prevailing wage as determined by the Secretary of Labor and shall not work his employees more than 40 hours a week without payment of time and one-half the regular rate of pay for hours in excess of 40.

The Bacon-Davis Act provides that employees of construction contractors on public works of the United States shall pay the prevailing wage rate in the community where the work is being performed.

The Walsh-Healey Act contains a provision in section 9 exempting contracts for the purchase of materials, supplies, articles, or equipment as may usually be bought in the open market. The Department of Labor, with the approval of the Comptroller General, has construed this section as referring to contracts awarded without advertising for proposals.

The Bacon-Davis Act, which requires a predetermination of prevailing wages for laborers and mechanics engaged in construction contracts for public buildings and public works, does not contain this exemption, since there is no advertised specification—no law. Section 1 of that act does, however, state that the prevailing-wage provision shall be contained in the "advertised specifications for every contract in excess of $2,000."

Inasmuch as both the Walsh-Healey Act and the Bacon-Davis Act normally apply to contracts let after competitive bidding, it may be argued that the suspension of the public-bidding statute, as provided in the pending bill, will in effect suspend the application of the Walsh-Healey Act and the Bacon-Davis Act insofar as War and Navy Department contracts are concerned.

Inasmuch as the only purpose in authorizing the suspension of the bidding statute in the pending bill is to eliminate the necessity of advertising for proposals for contracts in connection with the national-defense program, it would not appear that it was the intention of the sponsors of the pending legislation to suspend the provisions of the Bacon-Davis Act and the Walsh-Healey Act. In this connection, when the naval speed-up bill was pending (Public, No. 671, 76th Cong., approved June 28, 1940), a provision was inserted in the bill that the authorization for the Secretary of the Navy to suspend bidding statutes would not impair the benefits conferred upon labor in Government contracts by the Walsh-Healey Act and the Bacon-Davis Act. This provision was inserted with the full approval of the Committee on Naval Affairs and was adopted by the Senate and agreed to by the House conferees. It would seem that since the Senate made this a matter of legislative policy on that occasion, a similar provision should be inserted in the pending bill.

II. Application of the 8-hour law to contracts covered by this appropriation bill

Prior to the approval of the Naval Expedition Act (Public, No. 671) on June 28, 1940, the hours of work of laborers and mechanics engaged upon public-works construction were subject to the 8-hour law of 1912. This law forbids the employment of laborers and mechanics subject to its provisions for more than 8 hours per day. The President is authorized under other existing legislation to suspend the provisions of the 8-hour law of 1912 in time of emergency provided overtime in excess of 8 hours per day is paid for at not less than time and one-half. However, at the time of passage of the Naval Expedition Act, the President had not exercised his authority to suspend the 8-hour law of 1912 and permit overtime under the circumstances outlined above. In this situation the Congress included in the Naval Expedition Act a provision (sec. 5 (b)) suspending "the provisions of law prohibiting more than 8 hours' labor in any one day of persons engaged upon work covered by Army, Navy, and Coast Guard contracts." No provision was made for the payment of overtime rates in excess of 8 hours' work and the suspension of the 8-hour law is limited to Army, Navy, and Coast Guard contracts.

As a result of this provision in the Naval Expedition Act, the situation, with respect to hours of work upon defense projects, is in a very confused condition. On the one hand laborers and mechanics engaged upon construction projects for the Army, Navy, and Coast Guard are left entirely without the protection of maximum-hour legislation. On the other hand the suspension of the 8-hour law being limited to Army, Navy, and Coast Guard contracts produces confusion and discrimination since the strict provisions of the 8-hour law of 1912 will be applicable with respect to defense construction work carried on under contracts with agencies other than the Army, Navy, or Coast Guard. In these circumstances it is extremely desirable that this whole subject be simplified in accordance with the principles already enunciated by the President with respect to labor standards on national-defense projects. It is, therefore, proposed that the rigid limitations of the existing 8-hour law of 1912 be modified by permitting work in excess of 8 hours per day but subject to the requirement that overtime work be compensated at not less than time and one-half the regular rate of pay.

The amendment which is proposed to effectuate the purposes outlined above is attached.

Strike out line 23 on page 9 and insert in lieu thereof the following:

"SEC. 302. Nothing in titles I and II hereof shall be deemed to render inapplicable the provisions of the act of March 3, 1931, as amended by the act of August 30, 1935 (49 Stat. 1011, U. S. C., title 40, sec. 276 (a)), or the provisions of the act of June 30, 1936 (49 Stat. 2036, U. S. C., title 41, secs. 35–45), to any contract or contracts to which the provisions of either or both of such acts would otherwise apply.

"SEC. 303. Notwithstanding any other provision of law, the wages of every laborer and mechanic employed by any contractor or subcontractor engaged in the performance of any contract of the character specified in the act of June 19, 1912 (37 Stat. 138, U. S. C., title 40, secs. 324, 325), shall be computed on a basic day rate of 8 hours per day and work in excess of 8 hours per day shall be permitted upon compensation for all hours worked in excess of 8 hours per day at not less than one and one-half times the basic rate of pay.

"SEC. 304. This act may be cited as the "Second Supplemental Defense Appropriation Act, 1941."

Mr. HATCH. Mr. President, I send an amendment to the desk which I ask to have stated.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 8, after line 19, it is proposed to insert the following:

The paragraph under the subheading "Naval Reserve" of title I of the Naval Appropriation Act for the fiscal year 1941 is amended by inserting before the period at the end thereof a colon and the following: "*Provided further*, That nothing in the immediately preceding proviso shall be deemed to prevent the use of any such appropriation for the purpose of paying the pay, allowances, travel, or other expenses of any such officer or enlisted man of the Naval or Marine Corps Reserve who may surrender such pension, disability allowance, disability compensation, or retired pay for the period of his active duty in the Navy or Marine Corps.

Mr. HATCH. Mr. President, if it is desired, I will explain the amendment. It merely corrects a provision of existing law which should be corrected. I have spoken to the Senator

having the bill in charge, and several other members of the committee, and they agree the amendment should be adopted.

Mr. McKELLAR. I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Mexico [Mr. HATCH].

The amendment was agreed to.

Mr. MILLER. Mr. President, I offer an amendment, which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. It is proposed to strike out line 25, on page 24, and lines 1 to 8, inclusive, on page 25, and to insert in lieu thereof the following:

Contracts for the construction of all public works and public-utility projects (including purchases and supplies therefor) provided in this title may be made by the Secretary of the Navy in the same manner as contracts authorized under section 2 of Public Law No. 671, approved June 28, 1940: *Provided*, That the fixed fee to be paid the contractor as the result of any contract entered into under authority of this title shall not exceed 6 percent of the estimated cost of the contract (exclusive of the fee as determined by the Secretary of the Navy): *And provided further*, That in determining the cost to the contractor, the Secretary of the Navy shall not include any recoveries due to accidents or damages to persons or property resulting from the negligence of the contractor or his employees, but nothing contained herein shall prohibit the Secretary of the Navy from including insurance premiums in determining the cost to the contractor: *And provided further*, That the Secretary of the Navy may accept materials required for any project authorized by this act to be located outside of the continental limits of the United States at such place or places as he may deem necessary to minimize insurance costs.

Mr. MILLER obtained the floor.

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

Mr. MILLER. I yield.

Mr. McKELLAR. I did not know whether or not the Senator intended to explain the amendment. I merely wanted him to do so.

Mr. MILLER. I do not know whether or not I shall be successful, but I shall endeavor to explain what that amendment would accomplish. Under the terms of the bill the lines which are proposed to be stricken out provide for the execution of contracts under the act of April 25, 1939, which permits the Secretary of the Navy to waive performance and payment bonds, as is required by the general law. We seek to put the contracts under the act of June 28, 1940, which does not contain the provision authorizing the Secretary of the Navy to waive performance and payment bonds.

Mr. President, to be perfectly frank, if the amendment should be adopted, then in order to make the rule uniform, it would be necessary for the Senate to reconsider the amendment which was offered by the Senator from Tennessee [Mr. McKELLAR] on behalf of the committee, which was adopted and which authorized the Secretary of War to waive the requirement of performance and payment bonds.

I have no particular interest in this matter, but I found upon investigation somewhat of a chaotic condition existing with reference to the requirement for insurance. The Secretary may in certain instances require it, and in others he may not. I realize the necessity for lodging certain discretion in the officials charged with the execution of this program; but years ago, as chairman of one of the subcommittees of the Committee on the Judiciary of the House of Representatives, after 2 or 3 weeks' hearings, I reported what has later been termed the Miller Act. The terms of that act required the filing of a performance bond and also the filing of a payment bond. At that time we had before us representatives of the Treasury Department, representatives of the War Department, representatives of the Navy Department, and, in fact, the representatives of every department of the Government which was involved in construction contracts. The committee found—and the testimony was uncontradicted, there was no dispute—that it was a matter of economy in the case of such contracts for the Government to require the dual bonds, one the performance bond and the other the payment bond.

Mr. HAYDEN. Mr. President, the Senator is referring, is he not, to cases of open, competitive bidding?

Mr. MILLER. Yes.

Mr. HAYDEN. So far as the Committee on Appropriations is concerned, we are entirely in agreement with the Senator. The exception that is permitted by the language in the bill, as passed by the House, applicable to the Navy Department, and which was extended by our committee to apply to the War Department, relates solely to cost-plus and fixed-fee contracts.

Mr. MILLER. I am willing to admit that for the sake of the argument. Suppose it does apply only to the cost-plus contract, plus a reasonable fee——

Mr. HAYDEN. That is all fixed in advance.

Mr. MILLER. That is all fixed in advance. But then the subcontractors come in. Under the Miller Act, those two bonds are required, which protect the subcontractor, and protect the laborer against the failure of the subcontractor to pay him, and likewise protect the contractor as well as the Government.

As I have said, Mr. President, I am not personally concerned about this matter. I am interested in having an orderly execution of this program. The testimony given before the House subcommittee to which I referred, showed conclusively that it was a matter of economy on the part of the Government to require dual-purpose bonds.

Mr. President, I am not prepared to say what rates are charged for bonds; I do not want this program to cost the Government a dime more than it ought to cost; but I am advised that the rates have been reduced to the minimum. If the Committee on Appropriations—and no Senator has more respect than have I for the members of the Committee on Appropriations—inform the Senate that they have considered the question, and that in their judgment it is to the best interest of the Government to let these contracts go, willy-nilly, as the Senator from Texas said, without the requirement of payment and performance bonds, very well, because it does not seem as though any contracts are going to be let in Arkansas anyway, and I know that no Arkansas firm is going to get any of them unless the Council of National Defense changes its position considerably.

Mr. HAYDEN. The Senator from Arkansas asked whether the Committee on Appropriations had certain testimony given to it. I will say to the Senator that the provision on page 28 of the bill adopted by the other House applies solely to the Navy. General Gregory, the Quartermaster General, came before our committee and asked that the same provision be made applicable to the Army, which has been done by the amendment offered by the Senator from Tennessee on behalf of the committee. This is what the general said:

Under the ordinary lump-sum contract there was a time when a subcontractor or materialman might have very great difficulty in obtaining payment for materials or subcontracts from the main contractor. So, in order to obviate that situation, Congress in 1935 required that on construction contracts the contractor furnish a bond which would guarantee payment to his subcontractors and the materialmen.

The general is referring to the Miller Act. The general then said:

On a cost-plus-a-fixed-fee contract the Government itself pays the contractor as receipted bills are presented to the Government. In other words, it is the Government's money, not the contractor's money, which pays for the material.

Then the Senator from Tennessee [Mr. McKELLAR] asked the cost, and requested the general to place in the record a statement of what the saving would be to the Government. That will be found on page 55 of the hearings. It sets out the whole matter, and it winds up with this statement:

The probable savings would lie somewhere between $400,000 and $800,000—

On the business we propose to do under this law.

Mr. MILLER. Mr. President, let me say to the Senator from Arizona, that, frankly, if the bonds are to be waived by the Navy Department they ought to be waived by the Army. To say the least, the Army ought to have the right to waive them.

Mr. HAYDEN. That is what the committee thought.

Mr. MILLER. But the question presented to the Senate is, I think, of sufficient moment for the Senate to pass on it. We

are waiving those bonds which we have heretofore deliberately decided were proper and necessary, and which served a useful purpose. That is the issue raised by the amendment, and that is the issue upon which I desire the Senate to pass.

Mr. AUSTIN. Mr. President, it has been repeatedly shown that a good, adequate bond to protect furnishers of labor and of materials is almost an absolute necessity in dealing with the Government of the United States. Time after time losses have been suffered by subcontractors who provided labor and materials because of the character of bond the contractor furnished to the United States under existing law and the regulations of the United States, a bond which was one of those blanket affairs which gave priority, naturally, to the Government of the United States, and in case of the failure of the principal contractor to perform, the Government's claim was generally liquidated out of the bond, if the bond was good for anything, at the expense and in some cases the entire loss to the subcontractor. The condition was almost scandalous, and the Committee on the Judiciary of the Senate has worked ever since I came into this body in 1931 upon various proposals of legislation that would require a separate bond for the subcontractor who furnishes labor and materials.

Senator Logan, of revered memory, introduced several such bills in the Senate. They were reported by the Judiciary Committee, but so far as I can remember they were never passed by the Senate. In any event, that improving and very necessary legislation which was proposed never became law.

My understanding of the pending amendment may be incorrect, because I have had no copy of the amendment to read. I could not find the typewritten copy, and there is nothing but a typewritten copy. It is a very important matter affecting the affairs of many persons.

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

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

As I gather the situation from so much of the conversation as was audible on this side of the Chamber, the amendment would waive the requirement of any bond at all in the case of certain contracts; that is, any bond which would take care of the providers of labor and materials. Is that true?

Mr. TYDINGS. That is true.

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

Mr. AUSTIN. I yield.

Mr. MILLER. The provision of the bill which we are seeking to strike out authorizes the Secretary of the Navy to waive the requirement of a bond, which refers to the payment bond now required under the general law. The purpose of the amendment is to strike out that provision, so that the Secretary of the Navy, as well as the Secretary of War, must require the filing by the contractor of a performance bond, together with a payment bond, as now provided by the general law.

Mr. AUSTIN. I am very glad to hear that. I am heartily in favor of it.

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

Mr. AUSTIN. I yield.

Mr. TYDINGS. The Senator from Vermont, the Senator from Arkansas, and other Senators know that the reason why the provision to eliminate bonds was put in the law in the first instance in connection with the defense program was primarily upon the theory that such bonds would entail delay; and the argument was made that everything which entailed delay should be brushed aside.

It so happens that the giving of bonds for performance and payment would result in not a second's delay. They may be given at any time, either during the progress of the work or before it commences; so that the primary objective of eliminating the bonds does not exist. The object was to save time. If the amendment of the Senator from Arkansas were adopted not a minute would be lost.

Mr. AUSTIN. I thank the Senator from Maryland.

Mr. McKELLAR. Mr. President, the purpose of the amendment is to strike out the provision of the bill at the bottom of page 24 and the top of page 25 which applies to the Army the present law as it affects the Navy. What is the present law, which was approved April 25, 1939? Let me read it:

SEC. 4. (a) To enable the Secretary of the Navy to accomplish without delay or excessive cost those public works projects authorized by this act to be located outside the continental limits of the United States, he is hereby authorized to enter into contracts upon a cost-plus-a-fixed-fee basis after such negotiations as he may authorize and approve and without advertising for proposals with reference thereto. Approval by the President shall be necessary to the validity of any contract entered into under authority of this section. The fixed fee to be paid the contractor as a result of any contract entered into under authority of this section shall be determined at or before the time such contract is made, and shall be set forth in such contract. Such fee shall not exceed 10 percent of the estimated cost of the contract, exclusive of the fee, as determined by the Secretary of the Navy. Changes in the amount of the fee shall be made only upon material changes in the scope of the work concerned as determined by the Secretary of the Navy whose determination shall be conclusive.

* * * * * * *

(c) In any project the contract for which is negotiated under authority of this section, the Secretary of the Navy may waive the requirement of a performance and a payment bond and may accept materials required for any such project at such place or places as he may deem necessary to minimize insurance costs.

(d) Any contract negotiated under this section may, in the discretion of the Secretary of the Navy, contain provisions under which any loss of or major damage to the plant, materials, or supplies of any contractor, not due to his negligence or fault or to the negligence or fault of his agents or servants, while the same is necessarily in transit upon or lying in the open sea for the purposes of the contract, will be investigated by a board of naval officers appointed for the purpose and reported to the Secretary of the Navy, who will transmit to the Congress the findings of fact and his recommendations in the premises.

Before our committee we had testimony about this matter. Admiral Moreell testified as follows:

This matter of bonds on contracts was discussed before the committee in some detail by the War Department. Senator HALE sent to me a statement from Senator TYDINGS in which he had an amendment which would require the Navy to have bonds on negotiated contracts. Now, under present law we are not required to have bonds on negotiated contracts except when the Secretary of the Navy feels that they are necessary to protect the interests of the United States. We have been operating under that law since last June.

Senator HALE. That is only on public-works contracts?

BONDS NOT REQUIRED ON PUBLIC WORKS NEGOTIATED CONTRACTS

Admiral MOREELL. Public-works contracts; yes, sir. We have negotiated now some $250,000,000 worth of public-works contracts. To date we have had no occasion to feel that we have done the wrong thing in waiving payment and performance bonds. When we negotiate a contract we pick out the very best contractors, the people who are the most reliable and whose reputations and past records are such as to warrant our confidence.

The bond that is taken on an ordinary bid contract is designed to protect two parties. First, the materialman and labor that furnish their material or labor to the contractor. That is the payment bond. The performance bond protects the United States Government. The laws are worded so that, in effect, we are practically forced to award a contract to the low bidder, because almost any bidder can get a bond, and the Comptroller General has ruled that any bidder who can get a bond is a responsible bidder. The result of that is that we very often are placed in the position of having to award a contract on a lump-sum bid to an unreliable contractor. The bond in that case, the performance bond, does provide a measure of protection to the United States Government.

This is the part to which I wish to call especial attention:

In the case of a negotiated contract, the payment bond serves no useful purpose, because we are assured when we pay the contractor that he has already paid the labor and paid the material men, because he must produce bona fide evidence of having done so before he can get any money. So those people are protected.

It was upon testimony of that kind, and that testimony in particular, that the Senate committee applied this provision to other contracts than Navy contracts, when contracts are awarded on a fixed-fee basis. In the case of competitive contracts, bonds must be furnished for their faithful performance. The Department says it is absolutely useless to have bonds in the case of fixed-fee contracts. Why should the Government pay such large sums, amounting to hundreds of thousands of dollars, for bonds in such cases?

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

Mr. McKELLAR. I yield.

Mr. HAYDEN. There is another interesting piece of testimony following that which the Senator has read.

Mr. McKELLAR. I hope the Senator will read it.

Mr. HAYDEN. Admiral Moreell said:

I learn that the bonding companies have agreed to reduce their premiums for bonds from the usual 1½ percent on lump-sum contracts to 0.4 percent on a fee contract. Well, that willingness to reduce to practically one-fourth of the usual fee is an indication

that they recognize that the fee contract is a different type of contract, and that the Government does not need the same degree of protection that the Government needs on a lump-sum contract.

Then Mr. McKell, representing the bonding companies, appeared before the committee. The Senator from Colorado [Mr. ADAMS] asked him what the rates were, and he stated that there had been a reduction. The Senator from Colorado asked him when the reduction was made, and he replied that it had been made on the 15th of last July. We were holding hearings on the 15th of August. The bonding companies had been asking a premium of 1½ percent. Within 30 days before Mr. McKell appeared before the committee and asked for this amendment the premium had been reduced from 1½ percent to four-tenths of 1 percent. That was admitted in the hearings. The record clearly indicates that the bonding companies are running no risk, or they would not reduce the premium. Even on the basis of a premium of four-tenths of 1 percent, on such a vast volume of business there would be a saving to the Government of $400,000 to $800,000 a year.

Mr. MILLER. Mr. President, aside from the bond question and the language at the top of page 25 which we are seeking to strike out, why is it provided that the provisions of section 4 of the act approved April 25, 1939, "shall be applicable to all public-works and public-utilities projects provided in this title, regardless of location"? We passed a law on June 28, 1940, dealing with the same kind of contracts, limiting the fee to 7 percent.

Mr. McKELLAR. I shall be very happy to explain it to the Senator.

Mr. MILLER. That is aside from the bond question.

Mr. McKELLAR. Let me tell the Senator about this language.

Section 4 originally provided that such contracts might be made only outside the United States, in places such as Panama, the Philippines, or elsewhere. The plan was found to work well. The Navy Department found that it was able to make favorable contracts in that way, and the plan was then applied to all Navy contracts. The committee concluded that if it worked well in foreign or quasi-foreign navy contracts outside the limits of continental United States, and was afterward found to work well within continental United States, it ought to be applied to other public agencies. Therefore it was applied to all public-works and public-utilities projects provided in this title, regardless of location.

Mr. MILLER. Mr. President, I understand that, but, as a matter of fact, by reaching back and taking that section and putting the contract under it, do we not raise the amount they may earn from 7 percent under the act of 1940 to 10 percent under the act of 1939?

Mr. McKELLAR. No. If the Senator will read the proviso he will see that it shall not exceed 6 percent.

Mr. MILLER. Then I want to call the Senate's attention to the fact that, while there is a proviso as to 6 percent, it is proposed to go back and adopt section 4 of the act of 1939, and thus nullify the 6 percent profit provision. Is that what we are doing?

Mr. McKELLAR. We do not nullify but reduce the profit, I think, from 7 percent to 6 percent.

Mr. MILLER. We nullify the profit provision of section 4 of the act of 1939.

Mr. McKELLAR. We do not nullify it but we amend that by reducing it.

Mr. MILLER. To 6 percent.

Mr. McKELLAR. Yes.

Mr. MILLER. That is the point.

Mr. TYDINGS obtained the floor.

Mr. DANAHER. Mr. President——

Mr. TYDINGS. I will be glad to yield to the Senator from Connecticut for a question.

Mr. DANAHER. I wish to ask a question of the Senator from Arkansas.

Mr. TYDINGS. Will the Senator allow me to develop a few points, and I will be glad to yield to him in a few moments?

Mr. DANAHER. Very well.

Mr. TYDINGS. The Senator from Arizona [Mr. HAYDEN] made the point that originally bonds cost 1½ percent, but now the bonding companies had reduced the premium to four-tenths of 1 percent.

Mr. HAYDEN. That is in the case of cost-plus, fixed-fee contracts; it is 1½ percent on competitive-bidding contracts, as it used to be.

Mr. TYDINGS. Why was the reduction made? In the old bonds in the case of competitive bidding the bonding companies had to guarantee that the contractor would perform in full the work to be performed by the contractor within the price allotted. Under this particular class of contracts the contractor has no limit on what the work will cost; he is guaranteed a fee for the work he does; he is guaranteed a profit for the work he does; the Government pays the profits for material and labor. The contractor does not have to go down in his pocket for a single dime.

Mr. HAYDEN. But the Government would have to go down in its pocket and pay the bonding premiums.

Mr. TYDINGS. Let us be fair about it. There is much difference in guaranteeing that a man will build a house for so much money and guaranteeing that the workmanship and materials in the house will be good, first class, and in accordance with specifications.

A contractor may find that the work will cost 25 percent more than he thought it would cost and then the bonding company would have to come in and finish the house if the contractor walked off the job. But none of those risks is present here. The whole basis of any insurance is that the greater the risk the larger the premium, and the less the risk the smaller the premium. So that, instead of being criticized for reducing their rates, the insurance companies have come in with a new rate predicated on the reduced risk. That is all there is to that phase of the matter.

The Senator from Tennessee read at great length an old law and many of us——

Mr. McKELLAR. It was a law of April 1939. It is not very old.

Mr. TYDINGS. That is right. He read a law, but many of us did not pay attention to what the law provides. Let me read a section of the law which he read and let us see what it means. Here is what the law says:

(d) Any contract negotiated under this section may, in the discretion of the Secretary of the Navy, contain provisions under which any loss of or major damage to the plant, materials, or supplies of any contractor, not due to his negligence or fault or to the negligence or fault of his agents or servants, while the same is necessarily in transit upon or lying in the open sea for the purposes of the contract—

Listen to this—

will be investigated by a board of naval officers appointed for the purpose and reported to the Secretary of the Navy, who will transmit to the Congress the findings of fact and his recommendations in the premises.

In other words, if the contractor suffers a loss, and the loss is not due to any fault of his own, as in the case of goods being washed away in a big storm, even though he is on this kind of basis the Navy will appoint a board of inquiry. We will have a bill here before the Claims Committee and we will pay him not only for the material he put in the job, but for the material he lost at sea; and we do that in the interest of economy.

What is the alternative proposition? The alternative proposition is to do what we have done for 150 years and in this period of partial hysteria not depart from sound business methods and procedure. If there is no necessity of the contractor performing his work within a certain given price, therefore, there is no necessity to bond him for that; but there still exists the necessity, which is in all bonds, of seeing that the materials furnished are of the quality specified, that the workmanship is of the quality specified, and that the subcontractors are paid.

There have been numerous cases of subcontractors furnishing work or materials under contracts similar to this, the principal contractor drawing down his money, and it subsequently being learned that the subcontractor was not

paid. If the contractor said, "I have no money to pay you with," the Government had to pay twice, except that before the Government paid it called on the bonding company. Some $20,000,000 have been paid to the United States which ordinarily would have come out of the Treasury had there been no bond. That is nothing more than ordinary insurance. We have done this for 50 years.

As for delay, as a reason for eliminating the requirement for bonds, every Senator on the floor knows that there is not one second of delay attached to it. It does not take 5 minutes to get a bond, for it is only for payment and performance, and nothing else in the world. It has nothing to do with the ability of the contractor to finance the job within a certain sum, which is nine-tenths of the risk of the ordinary building bond.

I hope we will, while we have time, walk back the road, for, mark my words, if we leave every bar down in the case of these contracts, which are not open to public bidding, but which are open to negotiation, guaranteeing the contractor a fixed fee, with no restraint, politics as big as this Capitol is going to obtrude itself and the Senate and the country will be humiliated because the transaction was not surrounded with reasonable business prudence and ordinary business procedure.

I beseech the Senate not to turn its back on the Miller amendment, because, in the long run, it will be dollars in the Treasury. It will be an incentive against political interference; it will be a guaranty of good material and finished workmanship and against repayment of bills that already have been paid to some particular agency which is doing a job for the Government. To have none of these restraints, to have none of these restrictions, in spending billions of dollars on a cost-plus basis is to me absolutely ridiculous. If in normal times it is necessary to have bonds far in excess of the one covered in the Miller amendment, in this day of speed and haste, and I might even say of election time, it might prove well for us to look ahead and not have ourselves to blame for possible inefficiency and dishonesty which may result because of no restraint at all being placed upon the expenditure of billions of dollars.

I, therefore, ask Senators not to look at this matter in any narrow sense. Of course, the bond will cost some money. It is impossible to get something for nothing, but the rate is a little more than a quarter of what the other rate used to be when the entire project within a certain price was the thing guaranteed by the bonding company.

In the long run, Congress will regret taking off all these restrictions, and I already want to go on record as regretting that I voted for the first negotiated contract. I think it was a mistake, and I think we have made that mistake often enough. There may have been three or four isolated cases which we might have singled out in which speed was of such transcendent importance that we might have brushed aside all restrictions, but in the majority of the work undertaken I doubt if there would have been any delay at all if we had proceeded with competitive bids. Already, some of us are beginning to wonder whether or not the negotiated bid, with its guarantee of sure profit and the wide-open door on every one of these things, from buying a tin hat up to building quarters for a thousand men, was not a mistake. I am sure we should have limited the negotiated contracts to things in which the element of time was so important that it was wise to do it in that way, but we should not have wiped out all restrictions, as we have done, and allowed all these contracts to be negotiated, to be given to favorites, perhaps—I do not say they have been; to be given to favorite concerns—I do not say they have been; to be given to favorite localities—I do not say they have been; to be given to favorite Senators or Representatives or to business people or to supporters—and I do not say they have been. All of those things are possible, however, when the contract may be given out without any regard at all to competition. Then to take off the lid, and to have no bond for performance or for payment, is little short of silly when these matters are not rush matters, and when requiring the bond will not delay a single project a single minute.

Mr. WHEELER. Mr. President——

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

Mr. WHEELER. I have two or three telegrams and letters from my State which I think refer to the subject about which the Senator is now talking. One of them says:

> We are vitally interested in the passage of amendment to H. R. 10263 striking out provision authorizing Navy Department to waive performance and payment bonds required by law for many years.

Is that the provision to which the Senator refers?

Mr. TYDINGS. That is the provision. All the Senator from Arkansas is attempting to do is to compel the company which gets one of these negotiated contracts at least to give bond that it will furnish the quality and character of material specified, and pay the subcontractors for the material when it is furnished.

Mr. WHEELER. Let me say to the Senator that I am very much interested in what he has been saying about negotiated contracts. I do not care how honest the man is who has to deal with these matters; he may be just as honest and just as conscientious as anybody in the world, but human nature is such that he is bound, either consciously or unconsciously, to let the contracts go to his friends or to some favored class.

I agree with the Senator that in my judgment it was a mistake to open the door wide except in a very few instances in which it was imperative to do so, and any other course might possibly have held up the national defense. I think we shall live to regret the day when we did it; and I think it will be found that before we get through, this administration and this Congress will be severely criticized for it, because I have never known a thing of that kind to happen without graft and corruption and favoritism creeping in. It is almost humanly impossible to keep them out under those conditions and circumstances.

Mr. TYDINGS. Mr. President, the Senator from Tennessee [Mr. McKELLAR], who is in charge of this bill, is one of the most independent and zealous Senators I know of in protecting the Government's interests, and I do not want to sneak up behind a lot of encouragement and pats on the back to take advantage of his softer side; but I say to him now that in my own mind I am just as confident as I can be that if we do not put in this bill some provision for the payment of bills and the performance of work, he himself at some future date will rise on the floor of the Senate and express his regret over the situation, and offer legislation to correct it.

I ask the Senator from Tennessee if he will not at least do this: Will he not accept this amendment and take it to conference, where it can be further considered? Then if, in spite of all our points and propositions, the amendment still seems to him and to his associates to be unwise, and they want to reject it, that will be one thing; but I ask him not to oppose the amendment at this date without further hearing, because it means too much to our Government and to our people.

Mr. HAYDEN. Mr. President, I desire to ask the Senator a question about the telegram referred to by the Senator from Montana [Mr. WHEELER]. Can he give any guarantee that if we accept this amendment the gentleman who represents the Associated Casualty and Insurance Companies will not then telegraph to the States from which all of the House conferees come and have every insurance agent in the State send them telegrams to be sure to accept the amendment?

Mr. TYDINGS. I do not even know who the agent is. I never saw him or met him in my life, and naturally my guarantee would not be worth anything; but I will say this to the Senator: So far as I am concerned, directly or indirectly, the committee will have a free hearing, without any interference that I can prevent. All I should like to do is, before we close the door on these billions upon billions of negotiated contracts which are given out without any reference to competition, which are wide open, which guarantee millions of dollars of profit to the individuals, that we make sure we have not gone too far in eliminating all restraints upon them; that is all.

It seems to me that is a reasonable request; and all I ask is that the Senator who is in charge of the bill take the amendment to conference for further study. If he finds there that the matter is not in the state I have pictured it, that is one

thing; but I have a feeling that as he goes deeper into the subject he will find that the amendment is worth while.

Mr. AUSTIN. Mr. President, of course I am speaking on first impressions, because I knew nothing about this amendment until it was read at the desk.

If the only reason for the provision in the pending bill on page 24, line 25, is the reason stated here—namely, haste, velocity, speed—I ask what has happened since June 28, 1940, to make it necessary for the Congress to take away from a large segment of the population of the United States a right that it has had to be protected in Government contracts. Is there any other situation confronting us than the one we had on June 28, 1940? Only 2 months ago we passed the law enabling the Government to expedite national defense in building the Navy; and section 2 thereof, to which the Miller substitute points, authorized the Government to negotiate contracts instead of adhering to the bid method. But I call the attention of the Senate to the affirmative statement in that section of the act of June 28, 1940, which would be kept in all its vigor by the Miller substitute, namely:

Provided further, That nothing herein contained shall relieve a bidder or contractor of the obligation to furnish the bonds under the requirements of the act of August 24, 1935 (49 Stat. 793).

Two months ago we were careful to protect those who provide labor and materials to the general contractor in these contracts with the United States Government. It is an excuse of very little validity for maintaining that provision in the bill as it appears here to say that on a cost-plus basis the Government does not have so much risk. That does not justify utterly disregarding the rights of the materialmen and labor.

It has always been difficult for the citizen to have his interests protected here. I wonder why? We, as one House of Congress, should have just as much regard for the interests of the citizens of the United States as we have for the structure of government and the power of government. Of course, in a cost-plus contract the Government may withhold payment and protect itself, if it is vigilant; but if it has no more regard for the citizen than we appear to have, it will not be withholding payment for the citizen any more than we are now protecting the citizen. Why should we waive this affirmative protection to the citizen on which we insisted 2 months ago?

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

Mr. AUSTIN. I yield to the Senator from Arizona.

Mr. HAYDEN. What I am puzzled about is this: The Senator insists that this procedure is not now permitted by law; and yet Admiral Moreell testified before our committee:

Under present law we are not required to have bonds on negotiated contracts except when the Secretary of the Navy feels that they are necessary.

Mr. AUSTIN. When did he testify?

Mr. HAYDEN. He testified on the 14th day of August of this year.

Mr. AUSTIN. I must confess that he or somebody else had forgotten the law. I have it right in my hand—an act approved June 28, 1940—and I have read to the Senate this provision:

Provided further, That nothing herein contained shall relieve a bidder or contractor of the obligation to furnish the bonds under the requirements of the act of August 24, 1935 (49 Stat. 793).

Mr. HAYDEN. There seems to be some confusion in the statute.

Mr. AUSTIN. There seems to be.

Mr. HAYDEN. I rather think that what the admiral was referring to was public-works contracts, which are different from contracts for building ships.

Mr. AUSTIN. Oh, no, Mr. President. Section 2 refers to public-works contracts to this extent:

That whenever deemed by the President of the United States to be in the best interests of the national defense during the national emergency declared by the President on September 8, 1939, to exist, the Secretary of the Navy is hereby authorized to negotiate contracts for the acquisition, construction, repair, or alteration of complete naval vessels or aircraft, or any portion thereof, including plants, spare parts, and equipment therefor, that have been or may be authorized, and also for machine tools and other similar equipment, with or without advertising or competitive bidding, upon determination that the price is fair and reasonable—

And so forth and so forth. It is dealing with a public contract. We are now asked by the bill to extend this beyond naval vessels, and the other things mentioned in the act, to public works. It is provided in the proposal made to us, and which we desire to strike out—

The provisions of section 4 of the act approved April 25, 1939, shall be applicable to all public works and public-utility projects provided in this title, regardless of location.

That title related to public works without the territorial bounds of the United States, and the proposal we are considering would extend the terms of the act of 1939 to public works within the United States.

The proposal of the substitute is to make applicable to these works, wherever located, the statute we passed 2 months ago relating to negotiated contracts, which provided that the bonds provided by the law referred to should be furnished.

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

Mr. AUSTIN. I yield.

Mr. McKELLAR. I am frank to say to the Senator that I have less concern about the bonds than I have about the cost-plus contracts themselves. I should like to hear what the Senator has to say about the contracts. We have provided for them in certain classes of cases, but I am not at all sure that such a policy is for the best interest of the Government.

Mr. AUSTIN. I think it is a very bad policy for a man who is undertaking to build something and requires something with which to do it. I think it is a bad policy for him, and I think it is a bad policy for the Government of the United States. If there is any way, however, by which time can be saved, it is in that element of the negotiation of the contract, and I assume the provisions for employing the negotiated contracts instead of the contracts by competitive bidding were for the purpose of expediting national defense.

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

Mr. AUSTIN. I yield.

Mr. WHITE. Without any regard to past provisions of law and without regard to what the present law is, is it not the Senator's view that as these contracts increase in number and increase in variety, and as the amounts involved multiply, there goes with those conditions a very greatly increased burden on the Government of protecting by appropriate bonds the people of the United States and the Treasury of the United States?

Mr. AUSTIN. Undoubtedly.

Mr. ADAMS obtained the floor.

Mr. TYDINGS. Mr. President, is the Senator going to argue at some length?

Mr. ADAMS. I wish to make a suggestion or two. The amendment does not merely take out the provision which the House inserted, which relieves the War Department of requiring bonds, but it repeals a section of the existing statute giving that privilege to the Navy Department.

Mr. TYDINGS. That is correct.

Mr. ADAMS. In other words, if the naval officers were correct in their statement that they were saving from $400,000 to $800,000 a year, that saving would be lost.

The naval authorities came to us and said they were quite satisfied, that it was making money for the Navy, that they had written a large number of contracts. I can see that it is perfectly proper to come in when we are considering an appropriation bill and debate the provision inserted in the House, but I question whether we should go back of that. Of course, I have received a good many telegrams from surety agents in my State who naturally and properly desire to protect their commissions. That is their right. They would be failing in their duty if they did not protest.

If we were advising private clients, of course, we would want them to take out performance bonds of this kind. If the Government were having only one contract and a default would be fatal to the Government, of course it should take out

the insurance. I think the only question is whether or not the same principle should be applied in these cases which the Government applies in its fire-insurance cases; that is, that it owns a multitude of properties, and that while there may be a loss, it can carry its own insurance; that is, that the premiums amount to more than the losses would be.

There will be cases, of course, of a subcontractor who is incompetent or a subcontractor who is dishonest, a principal contractor or a subcontractor who does not pay his laborers. The only question is whether or not in the most of these cases the Government had better carry insurance, rather than require bonds.

I do not have a very deep concern about the matter. The premiums have been reduced to a reasonable amount, and I think this provision in the bill is largely responsible for the reduction. It has accomplished a very good result up to this time.

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

Mr. ADAMS. I yield.

Mr. MINTON. How would a materialman or a laborer go about getting his money if he were not paid, if there were not a performance bond, and he had to look to the Government? He could not sue the Government.

Mr. ADAMS. What was said to the committee was that the departments had inspectors and auditors, that the pay rolls were submitted to them, and that they did not pay the contractors until they brought receipts from the employees; that they ascertained what material had been furnished, and did not pay the contractors until they had receipts from the material men. Of course, it is possible to perpetrate a fraud.

Mr. MINTON. Suppose a man should perpetrate a fraud, suppose he should say to a laborer or materialman, "Of course, I have not paid you, but as soon as I get my money from the Government I will pay you," and then he never paid the materialman or the workman. There would not be any way in the world for them to get their money. But if there were a performance bond, that kind of procedure would not keep the materialman and the laborer from getting their money.

Mr. ADAMS. I think that is quite true, and I have a good deal of sympathy with that thought. The question came before the committee. We heard both sides before the committee, as to what was best for our client. Our client is the Government.

Mr. MINTON. At the same time, we have some obligation or duty, it seems to me, toward the people who do business with the Government.

Mr. ADAMS. We have.

Mr. MINTON. The Senator, as a lawyer, knows how difficult it is for anyone who deals with the Government, and who happens to feel that an injustice has been done him, to get into court and even have a hearing on his case.

Mr. ADAMS. I understand that. I also know it is rather difficult to collect from surety companies in court.

Mr. MINTON. I have collected much more for clients from surety companies than I ever have collected from the Government.

Mr. TYDINGS. Mr. President, what the Senator from Colorado says is absolutely unanswerable, namely, that if a single contract were involved, and an individual were about to take a terrific loss on one contract, he would have little or no alternative, if he were prudent, than to protect himself, but with a large number of contracts, the Government being supported by the taxpayers, and dealing in billions, can probably be its own insurer, and it may or may not make money. The chances are it might save money by that procedure.

However, there is a difference, which the Senator from Wisconsin has pointed out, between Army procedure and Navy procedure, and there is a general conflict in this whole matter. I should like to appeal to the Senator having the bill in charge to take the amendment offered by the Senator from Arkansas to conference, there to consider the whole picture again. As I stated a moment ago, I do not ask him to give a guaranty as to what he will do in the conference, but we are anxious to have the question reheard and reconsidered in the interest of the Government, and in view of what has come out in the debate, I believe the request is reasonable, and I ask the Senator from Tennessee if he will not consider it favorably.

Mr. ADAMS. Mr. President, let me add a word further. My initial preference in the matter was toward the requirement of the bond. That is, when the matter first came before the committee I felt that way. I listened to the Navy and Army officers, and they presented a rather good case. I do not like to criticize any individual, but there was a gentleman representing the surety companies who did not help his case. I think that if he had stayed in whatever is his home city his case would have been better. But I do not have any hard and fast notions about the matter, and I am inclined to think that the suggestion of the Senator from Maryland is a wise one.

Mr. McKELLAR. Mr. President, I once went around the world with the senior Senator from Maryland [Mr. TYDINGS], and since that time he has had undue influence over me. I do not know how he manages it, but he does.

This is a complicated arrangement, and, as I stated a while ago, I am not so sure that I believe as strongly in the cost-plus fixed-fee contracts as I did before the argument was made. If the other members of the committee do not protest, I shall be willing to take the amendment to conference and see what we can work out.

Mr. TYDINGS. Mr. President, I wish to thank the Senator for his consideration and his fairness, and I believe the matter will receive a fair hearing in conference. All we can ask is that the whole question be reexamined in the interest of the public welfare.

Mr. DANAHER. Mr. President, the Senator from Arkansas [Mr. MILLER] explained the amendment, but there is one phase of it as to which there has been no subsequent comment, and in view of the statement just made by the Senator from Tennessee, it seems to me that a question or two may be in order.

Let me ask the Senator from Arkansas if the matter of casualty liability is not completely independent of anything that has been said up to now with respect to surety liability?

Mr. MILLER. Yes.

Mr. DANAHER. As I understand the amendment of the Senator from Arkansas, it provides that the Government will allow nothing to any contractor for losses paid by way of damage claims, whether by way of workman's compensation, or negligence claims, or otherwise, if they be casualty cases; is that true?

Mr. MILLER. Yes.

Mr. DANAHER. But under the Senator's amendment the Government does hold out an allowance which is the equivalent of an insurance premium, which would therefore be an invitation to the contractor to insure against that very type of liability. Is that not so?

Mr. MILLER. That is correct.

Mr. DANAHER. Mr. President, I thank the Senator from Arkansas. There has been no development of that point, and no matter what the situation between the House conferees and the Senate conferees may be in conference, that particular phase of the amendment of the Senator is entitled to serious consideration, for on whatever basis cost-plus contracts may be estimated, or whatever may be done with reference to a 4-percent premium, there is no basis in the world for saying that the United States Government should be held liable in unlimited damage claims without being adequately protected, and there is no reason why the Government should step into the shoes of contractors and allow them to set off against the Government as part of their costs enormous sums recoverable for loss of limb or eyes or other tortious claims.

That is an important phase of the matter, and, in my humble judgment, the Senator from Arkansas has most adequately and completely covered it. However, I should like the RECORD to show that there is a phase of this matter which has not been covered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arkansas [Mr. MILLER].

The amendment was agreed to.

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

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 8, after line 15, it is proposed to insert:

Training, education, and welfare, Navy, Naval Reserve Officers Training Corps, $210,000.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from South Carolina.

The amendment was agreed to.

Mr. MILLER. Mr. President, will the Senator from Tennessee yield to me to move to reconsider the vote by which the Senate adopted the amendment offered by the Senator from Tennessee [Mr. MCKELLAR] on behalf of the Committee on Appropriations, on page 4, line 7?

Mr. MCKELLAR. Let that matter go to conference. It is not necessary to reconsider the action taken by the Senate.

Mr. MILLER. Very well, I shall not press that motion, since the matter will go to conference.

Mr. ADAMS. Mr. President, earlier in the day I filed an amendment to strike out lines 4 to 21, inclusive, on page 28. My amendment was based upon the impression which I had gained from reading the statutes that if the provision now in the bill remained in it airplane contracts would be left without any ceiling. I was inclined to differ with the report of the committee in the House, which said that it would leave a 12-percent limit. In other words, there had been a limitation of 12 percent in the law of 1939. That was changed in 1940, and then the pending bill would revise it. I questioned whether or not the repeal of the section which was contained in the language I sought to strike out would reinstate the 12-percent limitation.

My own judgment is that it would not do so, but I have consulted with the legislative drafting counsel, and with the Senator from South Carolina [Mr. BYRNES], and they take a different view of the matter. They seem to feel that perhaps some discord might arise, and I am willing to accept their legal judgment, and not press my amendment, merely reserving my own legal opinion to myself after having been overruled by superior talent.

The PRESIDING OFFICER (Mr. HERRING in the chair). Without objection, the amendment offered by the Senator from Colorado [Mr. ADAMS] is withdrawn.

Mr. MEAD obtained the floor.

Mr. LA FOLLETTE. Mr. President, will the Senator yield to me for a moment?

Mr. MEAD. I yield.

Mr. LA FOLLETTE. I should like to inquire of the Senator from South Carolina [Mr. BYRNES] whether the amendment which has just been adopted provides money for the naval R. O. T. C.

Mr. BYRNES. Mr. President, it is provided in the amendment which was just adopted. The Senator from Wisconsin spoke to me about the matter earlier in the day. The amendment provides for increased personnel, and for the extension of the student body at some of the existing naval Reserve units.

Mr. LA FOLLETTE. I thank the Senator.

Mr. MEAD. Mr. President, I offer an amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 24, after line 10, it is proposed to insert the following:

Third Naval District: Graving dry dock and accessory construction, New York Harbor, participation with the Port of New York Authority, $10,000,000.

Mr. MEAD. Mr. President, I desire to bring to the attention of the Senate a project which has already received the approval of the Senate Naval Affairs Committee, as well as the approval of the Senate itself, and it has the recommendation of the President, the Advisory Commission for the Council of National Defense, the Navy Department, and the Port of New York Authority. The project I have in mind calls for the construction of a graving dock to lift the largest naval and marine ships now afloat or in contemplation. This project was recommended by the President as a defense measure over a year ago. As I said a moment ago, it received the approval of the Senate Naval Affairs Committee and the Senate itself. It calls for joint participation on the part of the United States Government and the Port of New York Authority.

When the proposal reached the House it was, of course, referred to the House Naval Affairs Committee, where objection was made to subsidizing a local authority by the Federal Government, and the point was made that the Federal Government should make the appropriation in its entirety and control the project itself.

As a result of the situation which developed in the House, the project is stalemated. But coming before the committee, so ably represented on the floor of the Senate by the senior Senator from Tennessee [Mr. MCKELLAR], Rear Admiral Ben Moreell, of the United States Navy, Chief of the Bureau of Yards and Docks of the Department, made this statement:

GRAVING DRYDOCK, NEW YORK HARBOR

I would like to bring also to the consideration of the committee an item for constructing a maximum-size drydock in New York Harbor. A bill has passed the Senate to authorize participation by the Navy with the Port of New York Authority in constructing such a dock. However, the bill has struck a snag in the House Naval Affairs Committee—apparently because of the opposition of certain members to the principle of subsidizing another agency. In view of this situation, I have made a survey of available data and have determined that we can construct our own drydock in New York Harbor with a proportionately small increase in total expenditure. The Bureau of the Budget approved an item of $7,000,000 for this project, of which $3,000,000 was to be in cash. By increasing the total value of the project to $10,000,000, half in cash and half in contract authorization, we can obtain a drydock owned entirely by the Government. I am strongly in favor of this project—

Said Admiral Moreell—

It has been strongly recommended as an item of great importance by the General Board of the Navy. However, the additional amount of $3,000,000 has not been approved by the Bureau of the Budget.

I would like to say that the House Appropriations Committee struck that item out of the bill because of the opposition of the House Naval Affairs Committee to a subsidized dock.

Mr. President, I meet the objection raised against the item by the House Naval Affairs Committee, because in the two amendments I have sent to the desk I provide the money and make possible the future authorization of the balance required, and at the same time strip the project of the authority to participate with the New York Port Authority, hoping that this meeting of the issue will receive the approval of the House. By reason of the fact that this may be one of the last opportunities or perhaps the last opportunity to consider the matter before the recess of the Senate, and in view of the recommendation the project has received from every associated and interested authority, I ask the chairman of the committee to take the matter to conference. I hope that in the interim the objection of the House will have been removed.

Mr. MCKELLAR. Mr. President, so far as I am concerned, speaking as an individual member of the committee, I am willing to take the matter to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New York [Mr. MEAD].

The amendment was agreed to.

Mr. MEAD. I offer the second amendment, which I have sent to the desk, and ask that it be stated.

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

The LEGISLATIVE CLERK. On page 10, line 5, it is proposed to strike out "$37,750,000" and insert in lieu thereof "$48,315,000."

The amendment was agreed to.

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

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

The LEGISLATIVE CLERK. On page 5, between lines 11 and 12, it is proposed to insert the following:

For prosecution of the revised flood-protection project by dikes at East Hartford, Conn., in accordance with the plans recommended in Senate Document No. 32, Seventy-sixth Congress, $249,000.

Mr. MALONEY. Mr. President, I am very hopeful that the Senator from Tennessee will be willing to take this amendment to conference. It previously passed the Senate on two occasions, once in a separate bill, and once in another appropriation bill. It had the unanimous approval of the Appropriations Committee, but suffered a fatality in the House because there were attached to it at that time other flood-control projects which the Congress did not feel were of sufficient importance.

Mr. McKELLAR. What is the amount involved?

Mr. MALONEY. Two hundred and forty-nine thousand dollars.

Mr. McKELLAR. So far as I am concerned, I shall be glad to take the amendment to conference.

Mr. MALONEY. I thank the Senator very much.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Connecticut [Mr. MALONEY].

The amendment was agreed to.

Mr. McKELLAR. Mr. President, I ask that the clerks be authorized to renumber the sections.

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

The bill is open to further amendment. If there be no further amendment, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The question now is, Shall the bill pass?

Mr. BRIDGES. Mr. President, I ask for the yeas and nays.

The yeas and nays were not ordered.

The PRESIDING OFFICER. The question is, Shall the bill pass?

The bill (H. R. 10263) was passed.

Mr. McKELLAR. Mr. President, I move that the Senate insist upon its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ADAMS, Mr. McKELLAR, Mr. HAYDEN, Mr. BYRNES, Mr. HALE, and Mr. TOWNSEND conferees on the part of the Senate.

Mr. BRIDGES. Mr. President, I wish to make a brief observation. I think it is rather a sad commentary upon the United States Senate when we pass a $5,000,000,000 appropriation bill without having a record vote.

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

Mr. BRIDGES. I yield.

Mr. CONNALLY. The Senator from New Hampshire could have made the point of no quorum, and could have obtained a record vote if he had really wanted one.

Mr. BRIDGES. I am for the bill, and I am glad it passed by unanimous consent; but I should like to have seen a record vote on an appropriation of $5,000,000,000.

Mr. McKELLAR. Mr. President, I should have had no objection whatever to a record vote. However, on all preparedness measures we have voted unanimously whenever we have had a record vote, and I imagine we should have voted unanimously today. If there is any Senator who is against the bill, I do not know who he is.

FIVE BILLION DOLLARS IN 5 HOURS; $1,000,000,000 PER HOUR

Mr. LUNDEEN. Mr. President, I wish to say that I was engaged in conversation with the able and distinguished Senator from Maine [Mr. WHITE]. Before we had a chance to turn around in our seats the $5,000,000,000 bill was passed. I supported a call for a quorum. It was declared not a sufficient number, and the bill was put through in the twinkling of an eye.

I am against the bill, and I want the RECORD to show it. We have passed appropriations and authorizations in this session for $16,000,000,000. The bill carries an amount of $5,077,000,000. Another $1,000,000,000 has been contracted for by the selective service bill, so far as the Senate is concerned; and I assume the House will pass it. There is another billion dollars in the column for the Reconstruction Finance Corporation; and some $14,000,000,000 were appropriated in the first two sessions of this Congress, making a total of $37,000,000,000 or thereabouts. We may have another $3,000,000,000 appropriation or deficiency before we adjourn, a total of about $40,000,000,000. I say that such figures are fantastic and astronomical. It means panic and depression. It means bankruptcy. I am against this hysteria going any further, because we are bankrupting America. I include here a table prepared by the Honorable JOHN TABER, of the House Appropriations Committee, showing appropriations and authorizations for this third session of the Seventy-sixth Congress.

TABLE 1.—*Appropriations and contract authorizations incurred by the 3d sess. 76th Cong. (1940)*

Agricultural and Farm Credit:		
Regular	$918,603,918.00	
Permanent	112,052,045.00	
Reappropriations	9,305,000.00	
R. F. C. funds	150,000,000.00	
		$1,189,960,963.00
District of Columbia:		
Regular	48,765,080.00	
Permanent	3,873,821.00	
Contract authorizations	600,500.00	
Reappropriations	17,500.00	
		53,256,901.00
Independent offices:		
Regular	1,120,240,528.00	
Permanent	279,027,166.00	
Contract authorizations	2,000,000.00	
R. F. C. funds	2,000,000.00	
Reappropriations	6,141,620.00	
		1,409,409,314.00
Interior:		
Regular	135,383,330.00	
Permanent	13,505,940.00	
Reappropriations	16,203,900.00	
Contract authorizations	10,220,000.00	
		175,313,170.00
Labor-Federal Security:		
Regular	$1,023,282,690.00	
Permanent, tr	140,176,723.00	
Permanent, annual	9,550,000.00	
Special fund	15,869,750.00	
Reappropriations	41,406.00	
		1,188,920,569.00
Legislative:		
Regular	23,671,220.00	
Permanent	608,600.00	
		24,279,820.00
Military:		
Regular	1,499,323,322.00	
Permanent	18,799.00	
Contract authorizations	323,229,636.00	
		1,822,571,757.00
War Department civil functions:		
Regular	222,718,717.00	
Permanent	2,423,700.00	
Contract authorizations	103,500,000.00	
		328,642,417.00
Navy:		
Regular	1,308,171,138.00	
Permanent	2,430,000.00	
Contract authorizations	182,741,612.00	
		1,493,342,750.00
State, Justice, and Commerce:		
Regular	107,149,000.00	
Permanent	4,185,280.00	
Reappropriations	600,000.00	
		111,934,280.00
Treasury-Post Office:		
Regular	1,032,801,095.00	
Permanent	3,397,997,215.00	
Reappropriations	31,000,000.00	
		4,461,798,310.00
Supplemental deficiency:		
Regular	252,340,776.00	
Contract authorizations	2,450,000.00	
		254,790,776.00

TABLE 1.—*Appropriations and contract authorizations incurred by the 3d sess. 76th Cong. (1940)*—Continued

Urgent deficiency:		
Regular	57,541,300.00	
		$57,541,300.00
First deficiency:		
Regular	92,035,408.52	
		92,035,408.52
Second deficiency:		
Regular	85,891,777.23	
Contract authorizations	53,575,000.00	
		139,466,777.23
Relief:		
Regular	1,157,711,357.00	
R. F. C. funds	125,000,000.00	
		1,282,711,357.00
Supplemental national deficiency:		
Regular	1,479,777,147.00	
Contract authorizations	289,136,761.00	
		1,768,913,908.00
		15,854,889,777.75

WILLIAM J. COLLINS

Mr. BARKLEY. Mr. President, I am sure Members of the Senate were deeply grieved and distressed to read in the newspapers this morning of the death of Mr. William J. Collins, who for 31 years has been connected with the United States Senate. During that long period he served in a number of capacities, and more recently had been the head of the press gallery of the Senate.

Yesterday Mr. Collins died at the age of 62. All those who knew him and were associated with him had the greatest respect for him. He was a man of the highest standards of moral conduct, official integrity, patriotism, and loyalty to American institutions. The untimely death of a man no older than he was seems a real pity. In whatever capacity he served he worked not only to the satisfaction of those who employed him, but to the pride of those with whom he associated.

I am sure I express the feelings of all Senators in regretting his premature death, and expressing appreciation of his loyalty, devotion, and industry, and his high standards, not only during his service in connection with the Senate but during his entire life.

In connection with my remarks, I ask unanimous consent that there be printed in the RECORD a copy of the resolution adopted by the Standing Committee of the Press Gallery of the Senate upon the death of Mr. Collins.

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

RESOLUTION ADOPTED BY STANDING COMMITTEE OF PRESS GALLERY

Whereas in the untimely death of William J. Collins, superintendent of the Senate Press Gallery, the Washington correspondents have lost an outstanding friend and coworker; and

Whereas William J. Collins, during his 32 years of service in the Senate Press Gallery, has gained high recognition and respect from members of the press and public officials: Therefore be it

Resolved, That the standing committee of correspondents in behalf of the members of the Press Galleries express to the family of William J. Collins their deep sorrow at the passing of a prominent associate.

STANDING COMMITTEE OF CORRESPONDENTS.
ALFRED F. FLYNN,
Chairman, Wall Street Journal.
JOHN R. BEAL,
Secretary, United Press Associations.
EDWIN W. GABLEMAN,
Cincinnati Enquirer.
WILLIAM EDWARD JAMIESON,
Houston Chronicle.
PAUL J. MCGAHAN,
Philadelphia Inquirer.

COAST GUARD—REPORT OF BOARD OF VISITORS

Mr. BAILEY. Mr. President, I ask leave to file the Annual Report of the Board of Visitors to the Coast Guard Academy, and request that the report be printed in the body of the RECORD.

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

UNITED STATES SENATE,
COMMITTEE ON COMMERCE,
July 9, 1940.

The PRESIDENT OF THE SENATE,
The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

GENTLEMEN: Pursuant to the act of July 15, 1939 (Public, No. 183, 76th Cong., 1st sess.), the following Senators and Members of the House of Representatives were designated in January this year to constitute the 1940 board of visitors to the Coast Guard Academy.

Senators: Hon. JOSIAH W. BAILEY, of North Carolina, chairman, Committee on Commerce, United States Senate, ex-officio member; Hon. W. WARREN BARBOUR, of New Jersey; Hon. CARL HAYDEN, of Arizona; Hon. JOHN H. OVERTON, of Louisiana.

Members of the House of Representatives: Hon. SCHUYLER O. BLAND, of Virginia, chairman, Committee on Merchant Marine and Fisheries, House of Representatives, ex-officio member; Hon. EUGENE B. CROWE, of Indiana; Hon. FRANCIS D. CULKIN, of New York; Hon. LOUIS LUDLOW, of Indiana; Hon. JOHN TABER, of New York; Hon. LINDSAY C. WARREN, of North Carolina.

In accordance with the provisions of section 7 (b) of the act of April 16, 1937 (50 Stat. 67), the Secretary of the Treasury designated 9 a. m., Saturday, May 4, 1940, for convening of the board at the Coast Guard Academy, New London, Conn.

The following changes in membership were made in accordance with statutory provisions: Hon. ALVA B. ADAMS, of Colorado, vice Hon. CARL HAYDEN, of Arizona; Hon. BENNETT CHAMP CLARK, of Missouri, vice Hon. JOHN H. OVERTON, of Louisiana; Hon. JAMES A. O'LEARY, of New York, vice Hon. LINDSAY C. WARREN, of North Carolina.

Senators BAILEY and ADAMS, accompanied by Representatives CROWE and O'LEARY, left Washington at 9 a. m., May 3, arriving at New London at 3:38 p. m. At 5:33 p. m. Senator BARBOUR arrived. The superintendent of the academy, Capt. E. D. Jones, United States Coast Guard, entertained the Members present at a dinner at the Mohican Hotel, which was attended by a number of the senior officers from the academy. Later in the evening motion pictures depicting phases of cadet life were shown the board members in the academy gymnasium.

Representative LUDLOW, who was not able to leave Washington until the evening of May 3, arrived at New London at 3:50 a. m. on the 4th. Representatives BLAND and TABER intended to reach New London early on May 4 by Coast Guard plane. However, it was necessary to cancel this flight on account of unsatisfactory flying conditions, and, accordingly, these Members were unable to attend the New London meeting.

After breakfast at the quarters of the Superintendent, a formal meeting of the Board was held at the academy.

The first act of the Board was the election of Senator JOSIAH W. BAILEY as chairman. Commander (E) Ellis Reed-Hill, United States Coast Guard, continued to act as secretary to the Board.

The Chairman invited Admiral R. R. Waesche, Commandant of the Coast Guard, and Capt. E. D. Jones, superintendent of the academy, to be present at the meeting. The session was also attended by the Coast Guard Academy Advisory Committee, consisting of five members prominent in the field of education. The members attending were: Prof. H. L. Seward, Yale University, chairman; Dean J. W. Barker, Columbia University; Dean H. E. Clifford, Harvard University; Prof. G. E. Russell, Massachusetts Institute of Technology; Judge T. W. Swan, United States Circuit Court of Appeals.

Captain E. D. Jones addressed the meeting dwelling particularly on the need for additional accommodations to take care of the prospective increase in the number of cadets. This includes a new infirmary and ordnance building, extension of cadet barracks, additional boat facilities, and extension of the library to take care of the books now on hand and for future increases, and the urgent need for replacement of the training schooner *Chase* lost in the hurricane of 1938.

A general discussion of matters affecting the instruction of cadets and methods of obtaining cadet material followed.

Professor Seward, chairman of the advisory committee, described the formation of his committee and told of its accomplishments in laying out the present curriculum as a result of the committee's original recommendation in 1934. He added that the recent inspection of the academy by the Engineering Council for Professional Development had resulted in this body certifying the academy and classifying it in the upper 10 percent of technical colleges in the United States.

The Board then inspected the academy grounds, buildings, and shops and reviewed the battalion of cadets, after which the Board had luncheon with the cadet battalion.

The Board left the academy at 2 p. m. on May 4, arriving at Washington 8:20 p. m. the same day.

The Board of Visitors finds itself favorably impressed with the administration of the academy, with the type of instruction being given the student body, with the well-planned curriculum due to the untiring efforts of the Coast Guard Academy Advisory Committee, with the splendid personnel of the cadet corps, and with the physical plant except for certain needed additions required because of the expansion of the cadet body to meet present urgent need for additional officers.

The needs apparent at this time are made as recommendations by this body after a thorough study of the problem, after discussion with the Coast Guard administrative officers, and after consideration of the carefully prepared report of the advisory committee, a copy of which is appended hereto.

The Board of Visitors therefore recommends appropriations for the following items:

1. Infirmary and ordnance building: $300,000. This will release the second floor in the administration building, Hamilton Hall, for instructors' offices, conference and reading rooms, and will make possible the use of the present offices in the academic building, Satterlee Hall, now used by the instructors, as additional classrooms. It will also permit the use of the present armory space in the gymnasium, Billard Hall, for locker space for the increased number of cadets.

2. Extension of the library: $100,000. Present studies seem to point to the advisability of joining the present library wing of Hamilton Hall to the engineering building, McAllister Hall. This would more than double the size of the present reading room and would open up present unused space over the lobby, with extension over the wings of McAllister Hall for bookstacks, all of which would be on one level.

3. Extension of the cadet barracks, Chase Hall, to quarter 300 cadets, 2 in a room: $20,000. This will involve the extension of the north wing of this building to provide the additional cadet rooms and toilets, and the extension of the present messroom to join this wing.

4. Boathouse and wharves: $200,000. This would provide a boathouse and additional stowage for boats which are now entirely inadequate for the program of instruction in seamanship and small-boat sailing.

5. Recommendation replacement for schooner *Chase:* $200,000. This recommendation reaffirms a similar one made in the report of the Board of Visitors (1939). This vessel is urgently needed for the instruction of cadets in the handling of sails and is made necessary by the loss of the schooner *Chase* in the hurricane of 1938.

The Board of Visitors wishes to commend very highly the Coast Guard Academy. It is really a very unusual and most useful institution. It is regretted that it is not as well known as it should be to the American public since it is an institution of which our country may well be proud. Its standards are high. It has an able faculty and its curriculum is one of the best in the country. One of the Advisory Committee, composed of five persons of distinction in the field of education, stated to the Board that the Coast Guard, as a school of engineering, ranks amongst the first 10 in this country. The Congress ought to know that this Advisory Committee, composed of eminent representatives of our foremost institutions of learning, has prepared an extraordinarily fine curriculum and the Coast Guard has established it.

We are attaching hereto copy of the report of this Advisory Committee as made to the Board of Visitors.

The Board of Visitors would be remiss in its duty if it did not make special mention of the unusual service of Capt. E. D. Jones, who is now retiring. The period of his service has marked a great advance in the institution from every point of view, and he is entitled to the thanks of the Congress and his country for the excellent service which he has rendered as superintendent.

Respectfully submitted.

JOSIAH W. BAILEY, *Chairman.*
BENNETT CHAMP CLARK.
W. WARREN BARBOUR.
JOHN H. OVERTON.
S. O. BLAND.
FRANCIS D. CULKIN.
LOUIS LUDLOW.
JAMES A. O'LEARY.
EUGENE B. CROWE.
LINDSAY WARREN.
ELLIS REED-HILL,
Secretary to the Board.

RECOMMITTAL OF A BILL—RIVER AND HARBOR NATIONAL-DEFENSE IMPROVEMENTS

Mr. BAILEY. Mr. President, I ask unanimous consent that House bill 9972, authorizing the improvement of certain rivers and harbors in the interest of the national defense, be recommitted to the Committee on Commerce. The bill was reported in the regular order, but we have since received a communication on the subject from the President. In view of the communication, I wish to have the advice of the committee on the bill as a whole.

The PRESIDING OFFICER. Is there objection to the request of the Senator from North Carolina? The Chair hears none, and it is so ordered.

ORDER OF BUSINESS

Mr. BARKLEY. Mr. President, I wish to announce for the benefit of the Senate that it is planned to take up the conference report on the transportation bill tomorrow. I presume consideration of the report will be concluded tomorrow.

It is also the plan to adjourn over Labor Day—Monday—and in order that we may adjourn until Wednesday instead of Tuesday it will be necessary to hold a short session on Saturday. If consideration of the conference report on the transportation bill shall be concluded tomorrow, it is planned that no business shall be transacted Saturday. We plan to meet simply because it is necessary in order to adjourn until Wednesday. That will give Senators who are going away for Labor Day 1 more day in which to return to the Senate; and there being nothing urgent for Tuesday, I think such an arrangement would be the most satisfactory. Senators may make their arrangements accordingly.

Mr. AUSTIN. Mr. President, I have no objection to that plan.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORT OF A COMMITTEE

Mr. MILLER, from the Committee on the Judiciary, reported favorably the nomination of Virgil Pettie, of Arkansas, to be United States marshal for the eastern district of Arkansas.

The PRESIDING OFFICER (Mr. MINTON in the chair). If there be no further reports of committees, the clerk will state the nominations on the calendar.

THE JUDICIARY

The legislative clerk read the nomination of Alfred P. Murrah to be judge of the United States Circuit Court of Appeals for the Tenth Circuit.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

Mr. THOMAS of Oklahoma. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination of Judge Murrah.

The PRESIDING OFFICER. Without objection, the President will be notified.

DIPLOMATIC AND FOREIGN SERVICE OF THE UNITED STATES

The legislative clerk proceeded to read sundry nominations in the Diplomatic and Foreign Service of the United States.

The PRESIDING OFFICER. Without objection, the nominations in the Diplomatic and Foreign Service are confirmed en bloc.

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 MARINE CORPS

The legislative clerk proceeded to read sundry nominations in the Marine Corps.

The PRESIDING OFFICER. Without objection, the nominations in the Marine Corps are confirmed en bloc.

That concludes the calendar.

RECESS

Mr. BARKLEY. As in legislative session, I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock p. m.) the Senate took a recess until tomorrow, Friday, August 30, 1940, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate August 29 (legislative day of August 5), 1940

UNITED STATES CIRCUIT COURT OF APPEALS

Alfred P. Murrah to be judge of the United States Circuit Court of Appeals for the Tenth Circuit:

DIPLOMATIC AND FOREIGN SERVICE

Samuel H. Wiley to be a consul general.

TO BE FOREIGN SERVICE OFFICERS, UNCLASSIFIED, VICE CONSULS OF CAREER, AND SECRETARIES IN THE DIPLOMATIC SERVICE

Charles W. Adair, Jr.
H. Gardner Ainsworth
Stewart G. Anderson
Irven M. Eitreim
C. Vaughan Ferguson, Jr.
Scott Lyon
W. Horton Schoellkopf, Jr.
Harry H. Schwartz
Bromley K. Smith
Henry T. Smith
Oscar S. Straus, 2d
John L. Topping
Livingston D. Watrous

TO BE FOREIGN SERVICE OFFICERS OF CLASS 1

William C. Burdett
Nathaniel P. Davis
John G. Erhardt
Charles Bridgham Hosmer
Robert D. Murphy
Avra M. Warren

TO BE FOREIGN SERVICE OFFICERS OF CLASS 2

Willard L. Beaulac
William P. Blocker
Howard Bucknell, Jr.
Richard P. Butrick
Cecil M. P. Cross
Hugh S. Fullerton
H. Freeman Matthews
Rudolf E. Schoenfeld
George P. Shaw

TO BE FOREIGN SERVICE OFFICERS OF CLASS 3

Ellis O. Briggs
Herbert S. Bursley
Curtis T. Everett
Samuel J. Fletcher
Walter A. Foote
Waldemar J. Gallman
Sydney B. Redecker
Edwin F. Stanton
Fletcher Warren

TO BE FOREIGN SERVICE OFFICERS OF CLASS 4

Howard Donovan
Albert M. Doyle
Richard Ford
Thomas McEnelly
Edwin A. Plitt
Christian M. Ravndal

TO BE FOREIGN SERVICE OFFICERS OF CLASS 5

Lewis Clark
Cabot Coville
John H. Morgan
Edward J. Sparks

TO BE FOREIGN SERVICE OFFICERS OF CLASS 6

James C. H. Bonbright
James W. Gantenbein
Herve J. L'Heureux
Sheldon T. Mills
Edward T. Wailes

TO BE FOREIGN SERVICE OFFICERS OF CLASS 7

William E. Flournoy, Jr.
Guy W. Ray

TO BE FOREIGN SERVICE OFFICERS OF CLASS 8

John K. Emmerson
Beppo R. Johansen
U. Alexis Johnson
Carmel Offie
Edward E. Rice
Max W. Schmidt
William E. Yuni

PROMOTIONS IN THE NAVY

MARINE CORPS

To be majors

James P. S. Devereux
Alfred R. Pefley
Edward W. Snedeker

To be captains

Edward L. Hutchinson
Joseph L. Dickey
Maurice T. Ireland

To be first lieutenants

Joseph L. Stewart
Jack F. Warner
Keith B. McCutcheon
Austin C. Shofner
Fred R. Emerson
Ronald R. Van Stockum
Robert H. Ruud
Zedford W. Burriss
Fletcher L. Brown, Jr.
Gregory J. Weissenberger
Lawrence C. Hays, Jr.
Robert D. Heinl, Jr.
Hugh R. Nutter
Charles R. Boyer
Harry N. Shea
Alfred T. Greene
Virgil E. Harris
Brooke H. Hatch
Golland L. Clark, Jr.
Parker R. Colmer
Tom M. Trotti
James D. Hittle
Neil R. MacIntyre
James A. Embry, Jr.
Donald N. Otis
William W. Lewis
Richard A. Beard, Jr.
Frank G. Umstead
Sidney M. Kelly
Marvin C. Stewart
Freeman W. Williams
William F. Lantz
John F. Dunlap
David W. Silvey
John P. Coursey
Charles N. Endweiss
Clair W. Shisler
Edmond M. Glick
William F. Prickett
Charles J. Quilter
Howard F. Bowker, Jr.
McDonald I. Shuford
William J. O'Neill
John J. Gormley
Glenn E. Fissell

POSTMASTERS

FLORIDA

Nancy L. Dickens, Deerfield Beach.
Nelson S. Jackson, Pierson.

KENTUCKY

Richard L. Frymire, Irvington.

MARYLAND

George A. Hohn, Port Deposit.

MISSISSIPPI

Grady E. Hill, Calhoun City.

NEBRASKA

Frank D. Conley, Madison.
Ralph P. Kilzer, South Sioux City.

HOUSE OF REPRESENTATIVES

THURSDAY, AUGUST 29, 1940

The House met at 12 o'clock noon.

Rev. Bernard Braskamp, D. D., pastor of Gunton Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

God of infinite grace and wisdom, under the canopy of Thy goodness and greatness, we gather in faith and humility, lifting up our hearts and voices in adoration, in confession, in thanksgiving, in supplication, and in renewed consecration.

We pray that our discordant spirits may be quickened and brought into harmony with Thy will and with all that is beautiful in life and in nature. May it be the goal of our aspirations to be more Christlike in spirit, more divine in effort, and more helpful to all who are in need.

In these times of trial and adversity, may we realize that Thy sustaining power is sufficient for the needs of the darkest day. May we have the glad assurance that we are never alone and that in the strength of our Lord we may rise victorious above all doubts and fears and the storms and tumult of the world.

Grant that at the close of this day we may have the joy of partnership with Thee in seeking to bring in the kingdom of righteousness and peace.

In the name of the Christ, our Lord and King, we pray. Amen.

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

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 4164. An act to provide for the common defense by increasing the personnel of the armed forces of the United States and providing for its training.

EXTENSION OF REMARKS

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement made by Secretary of State Hull.

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

There was no objection.

Mr. TARVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein certain data, showing the number of voluntary enlistments in the United States Army during the last fiscal year and the number per 100,000 of population from each State.

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

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent that I may address the House for 1 minute, and I ask also unanimous consent to revise and extend my remarks.

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

There was no objection.

[Mr. DICKSTEIN addressed the House. His remarks appear in the Appendix of the RECORD.]

EXTENSION OF REMARKS

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein brief editorial comment.

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

There was no objection.

ADJOURNMENT OVER

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that when the House adjourns tomorrow, it adjourn to meet on Tuesday next.

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

There was no objection.

EXTENSION OF REMARKS

Mr. SABATH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein two clippings, reports as to the financial condition of certain companies.

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

There was no objection.

FEDERAL INSPECTION OF COAL MINES

Mr. KELLER. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

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

There was no objection.

Mr. KELLER. Mr. Speaker, I simply want to call the attention of the House to the fact that petition No. 35 is on the Speaker's desk, which I hope those of you who have not signed it may proceed to do so for these reasons: It is a petition to bring out of the Committee on Mines and Mining of the House, Senate bill 2420, providing for Federal inspection of coal mines of the country in conjunction with the State authorities.

Since this bill was introduced there have been killed in the coal mines of this country 1,538 coal miners, most of whom could have been saved with proper inspection; in other words, more than 4 times as many coal miners as there are Members of this House have been killed in the coal mines for lack of proper inspection and proper enforcement of the law, which this bill would largely contribute toward correcting.

Let us look at the facts. Since the introduction of the identical bills by Senator NEELY and myself on May 16, 1939, up to July 22, 1940, 1,538 coal miners have been killed in the coal mines of the United States. These miners left behind them 1,126 widows and 2,531 orphans by actual count, to say nothing of the mothers and fathers, brothers and sisters of the unmarried victims of these killings in our coal mines.

Here are the dates on the Neely-Keller bill. Identical bills introduced by Senator NEELY and myself on May 16, 1939. The Senate, after hearings, passed the bill, S. 2420, January 18, 1940. It was referred to the House Committee on Mines and Mining January 23. A subcommittee was appointed to consider S. 2420 on March 7. This subcommittee began hearings on the bill May 16, 1940, exactly 1 year after the introduction of the original bill, H. R. 6352. The subcommittee reported to the full Committee on Mines and Mining on August 15, 1940. And there the bill rests. The petition to discharge the committee was filed August 22, a little more than a year and 3 months after the bill was introduced. Whatever was the cause of this extraordinary delay no one will question the complete justification of taking the bill from the committee.

While this bill was pending four major mine disasters filled the newspaper with the terrible deaths in four different States, as follows:

First. July 14, 1939: Explosion in the Duvin Coal Co. mine at Providence, Ky. Number of men killed, 28, leaving 23 widows and 50 orphans.

Second. January 10, 1940: Explosion at Bartley No. 1 mine, McDowell County, W. Va., Pond Creek Pocahontas Co., affiliate of Island Creek Coal Co. Number of men killed, 91, creating 70 widows and 143 orphans. Eleven children have been born since the explosion; seven more children expected.

Third. March 16, 1940: Explosion at Willow Grove Mine, Neffs, Ohio. Belmont County; M. A. Hanna Co. Number killed, 72, leaving 59 widows and 117 orphans.

Fourth. July 15, 1940: Explosion at the Sonman Mine, Cambria County, Pa.; Sonman Shaft Coal Co., near Portage, Pa.; affiliate of the Koppers Coal Co. Number of men killed, 63, leaving 34 widows and 108 orphans.

To this toll of death 10 men were killed in Arkansas within the last few days; widows and orphans not reported.

This is an appalling series of disasters, entirely preventable by proper mine inspection and proper management of the mines by the operating companies.

As will be observed, this list only accounts for 264 dead—186 widows and 418 orphans, out of the nearly 6 times that number cited above. Where, then, are the other 1,274 dead, with their widows and children? It lies just here: Only major disasters are made public. Any less than 10 is only recorded by the Bureau of Mines and not announced or discussed, or any reason assigned as to what caused the deaths. The Bureau of Mines has no authority in law to do anything except only what the mine operators agree to. The death of 1 or 2 or 3 or any small or unimportant number of killings like 8 or 9 just does not count. These deaths by small numbers in the out-of-way places in the mines—the cry of half a dozen widows and 15 orphans is just happening constantly in all the coal States. The mangled, the misshapen, the gassed, the cripples of the industry have no account given to them. They just exist. And when we ask for a more thorough, more honest, more humane law, we encounter an industrial control many of whom have not learned that—

The real interest of humanity is also the foundation of true economics;

That whatever benefits human beings also benefits the industry which they carry on;

That you cannot legislate broadly even in the interest of childhood without in the end applying the same principles to the interests of men and women;

That the entire subject of economics is one to be considered only in the interest of humanity as a whole;

That whatever injures any part of humanity injures all of it.

I do not intend to imply for a moment that mine owners and operators are all or any very large part of them are callous or inhumane. Quite the contrary is very generally true. But the industry has been permitted to become so thoroughly competitive as to be in many cases destructive. So that, to save the business, human life is sacrificed. There is only one remedy for this—to compel by law the taking care of the lives and health of the men who make the business itself possible. This can be done. And when it is done no hardship will be imposed on any operator, because all alike will be operating under the same law, with no advantage of any one over any other.

I understand that since there are already 170 names on this petition to take this bill out of the hands of the Committee on Mines and Mining, the matter of taking it up by the committee for reconsideration is being discussed.

Gentlemen of the committee, I trust you may take no such action. Seven months is long enough for any committee to consider any bill on any subject. If the members of the Committee on Mines and Mining want to do anything in the matter, let them do what the gentleman from West Virginia, JENNINGS RANDOLPH, a member of the committee, has done, after working for the bill in this committee arduously. He came forward immediately this petition was placed on the Speaker's desk and signed the petition and went to work among our colleagues to induce them to sign it. This is the work of a real man.

Under the rules we are not permitted to copy the names on these petitions, so I do not know whether other members of

the Committee on Mines and Mining have signed this petition to bring this bill before this House. I believe that some other members of the committee must have followed JENNINGS RANDOLPH'S fine example. And I am hopeful that all the others may do likewise. It would be an earnest of their wish to have the Members of this House pass on this bill to prevent bloodshed of innocent men engaged in a vital industry of this country.

There are some excellent Members of this House who have made a rule not to sign any petition to take any bill from any committee. But I appeal to them in the name of humanity to sign this petition to give the coal miners of America the protection to which every man in industry has a perfect right. I appeal to them in the vital interest of the 1,126 women who have been widowed while we have been sitting here waiting for our committee to bring out this bill. I hope that the cries of 2,531 orphans may justify them in breaking a self-imposed rule. More still, may I not hope that they may be more than willing as nearly as possible to prevent next year from bringing another 1,126 widows and another 2,531 orphans to cluster around open graves of another 1,538 toilers—our fellow servants, flesh of our flesh, and blood of our blood.

Do you think me overaccentuating this appeal? Ask the gentleman from Illinois, FRANK FRIES. He is one of the excellent thinkers of this House, honest, keenly intelligent, who does not need any advice or information from anyone on this subject, because he grew up in the coal mines of Illinois and knows all the facts first hand. He will tell you from his own experience how this killing of a few at a time goes on constantly and that these mass killings may happen in Illinois or any other coal-producing State any day, but that competent examiners with enforcement of the rules can to a large extent prevent all these killings in the coal mines. Every time one miner is killed in Great Britain we kill three. Every time one miner is killed in France we kill four. Every time one miner is killed in the Netherlands we kill six.

These countries all have national inspection laws. There are killed on an average year after year 1,800 coal miners in the United States. Each full session of the Congress 3,600 coal miners are slaughtered, 2,640 women are widowed, and 6,000 children left fatherless. And in 1938, an average year, there were 69,000 men injured. There are 11½ times as many deaths in the coal-mining industry as compared with the injuries in other industries.

When the American people get these facts before them they are not going to ask whether you have any coal miners in your district. They are not going to care what State you come from. They are going to look you straight in the face and ask you whether you voted to protect the coal miners against death, their wives against widowhood, their little ones against orphanage and poverty.

And if you are unaware of it, they will tell you that every safety measure for the protection of workers from the beginning of the industrial revolution to the present day have been resisted by the employers of labor. They would likely call to your attention that all the important safety measures have only come about through the enactment of law or the certainty that law would be enacted to compel such measures if not agreed to ahead of the enactment of law. And then they would state the fact to you that every time the employers have resisted the enactment of safety measures always on the plea that it would ruin the business; that in fact every safety measure ever enacted into law did in truth not only result in the benefit to the laborer, but has inevitably resulted in greater profits and greater security to the employer as well.

This is a fact beyond dispute. The list of safety laws to which this rule applies is as long as the moral code and well known to every student of economics. The same result will of necessity follow the enactment of this law. I only ask you to give it a chance to be heard. There on the Speaker's desk is the petition No. 35. I plead with you to sign that petition to stop the inexcusable bloodshed in the coal mines of America.

PERMISSION TO ADDRESS THE HOUSE

Mr. PATRICK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

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

There was no objection.

Mr. PATRICK. Mr. Speaker, it has been 36 hours now since I had the audacity to issue a challenge to the gentleman from Indiana, Ohio, and New York, Mr. Wendell Willkie, to go about the country from platform to platform in debate. Similar challenges have been issued since his nomination, but for some reason they have fallen by the wayside. I gave him the opportunity, and it is open at present, to enter into debate with a modest unknown. It would be for him a very democratic and clever gesture. It may be that the gentleman is beating about the bushes at this time trying to find some substitute. I want to serve notice that I will accept no substitute. If he does not take it himself I shall not debate.

I am not going to keep this open always. I cannot afford to hold it open a great length of time and keep the country waiting. So I will have to close it in a few days.

Thank you very kindly. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. SPRINGER, by unanimous consent, was granted permission to extend his own remarks in the RECORD.

ACCIDENTS IN COAL MINES

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. RANDOLPH. Mr. Speaker, the observation made a few minutes ago by our colleague from Illinois [Mr. KELLER], joint author with Senator NEELY of the so-called Federal mine-inspection bill, is an excellent one. I do trust there will be added to petition No. 35, which is on the desk, the names of Members on both sides of the aisle, which will allow that measure, which passed the Senate unanimously, to come before this body for consideration, debate, and vote. As one who comes from a congressional district that abounds in bituminous coal mines, I feel there is need for legislation of this type. It will not be in direct opposition to the authority now lodged in the States, but will allow the Federal Government, working with the State governments, to more nearly discover occupational diseases and offer remedies and go into the problem of improving safety and health of the men who go beneath the earth in the bituminous and anthracite coal mines of this country. Accidents, taking large toll of life, are continuing in this industry—and this bill, if passed, may help to stop such disaster.

I do trust we will have an opportunity to debate the measure in this body. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. CRAWFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks and include an up-to-date table, a summary by States, of voting rights of persons in the military service.

The SPEAKER. Is there objection?

Mr. SMITH of Illinois. Mr. Speaker, reserving the right to object, I would like very much to know in detail what this is before I withdraw my objection.

Mr. CRAWFORD. Mr. Speaker, my interest in this was prompted by the publishing of several conflicting reports on this particular subject. So I requested the Law Division of the Legislative Reference Service of the Library of Congress to prepare for us a summary covering soldier voting rights in the 48 States. This study consists of about 15 pages, double-spaced matter, covering all States, and the nature of it is as I have suggested. That is my reason for making the request.

May I say this, Mr. Speaker, that if such a study has been previously introduced I do not want to put this into the RECORD at the present time.

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

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my remarks and include an editorial.

The SPEAKER. Is there objection?

There was no objection.

Mr. HOFFMAN. Mr. Speaker, in this morning's issue of a local paper, I find an editorial, the caption of which is "What happens after wealth is conscripted?" The last paragraph has a lead, "Made in Moscow."

It is quite true, the idea of conscripting wealth might have originated in Moscow, but so, too, did the idea of conscripting men.

The editorial then continues:

This red-hot slogan, "Conscript the wealth if you conscript the men," is just the kind of catchy business to lead a lot of good people into something they don't want.

Then the editor expresses the thought that, if we conscript wealth, we shall have a dictatorship, although he does not use those words.

After making a "squawk" about conscripting wealth, he then writes:

The next time you hear it ("Conscript the wealth, if you conscript the men") ask the shouter just what it means.

In a sentence, let me give the editor the answer. It means that those who have been advocating the peacetime conscription of the youth of this land, those who want to see this country in war—the so-called "warmongers" and war "profiteers," are going to learn by a bitter experience of their own that the American people do not intend again to let American youth be the sole sacrifice to be offered up on the altar of either an ambitious politician or a profit-seeking individual or class.

The phrase means that, if we again have a war other than a purely defensive war, the money changers and the profiteers and the advocates of war are going to be compelled to pay their share of the price.

And, oh, how they wiggle and squirm and squeal because it now appears that they are caught in the toils of their own conspiracy to involve us in a foreign war in order that business may go on as usual; that "war babies" may prove profitable sources of income; that millionaires and multimillionaires may again arise over the shadow of wrecked homes and blighted lives.

Yes, it means that, if we are to fight another war, each and every individual is to be forced to assume his share.

I do not believe in, and I will not vote for, peacetime conscription. But if we are to have conscription of men, let us have conscription of property. [Applause.]

[Here the gavel fell.]

PERMISSION TO ADDRESS THE HOUSE

Mr. ANDERSON of California. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. ANDERSON of California. Mr. Speaker, I have in my possession a copy of a speech recently delivered in San Francisco by Richard M. Neustadt, regional director of the Social Security Board on the Pacific coast. In the course of his address to the regional conference of unemployment compensation administrators, Mr. Neustadt mentioned the work being done by the State employment service in Oregon. He then made this statement:

It was a shock to find that the man who directed this placement job had never read Grapes of Wrath, which, in my judgment, should be compulsory reading for everybody dealing in any way with the problem of agricultural labor.

What a fine statement for an official dealing with unemployment and social problems to make. Are we to believe that a Federal official, holding down a responsible position, has decided to chart his course from the contents of a highly sensational novel—a novel that is long on fiction and very short on fact? I know that I reflect the sentiment of a great many Californians by saying that the idea is utterly repugnant and ridiculous. I suggest that an investigation of Mr. Neustadt and his methods would be entirely in order at this time. [Applause.]

THE MINE-INSPECTION BILL

Mr. SHANNON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. SHANNON. Mr. Speaker, I was here and voted to establish the discharge rule. I have never made much use of it, but I do appeal to my fellows in this body to place their signatures on petition No. 35, to discharge the Mines and Mining Committee from further consideration of the Federal mine-inspection bill. It is worth the time and effort of this House to consider it, and if its passage means the keeping alive of only one father of a group of children it is a most worthy accomplishment. Remember that 1,538 men who went down into the bowels of the earth have died in these places since the first attempt was made in this Congress to put the measure through. It is now tied up, and the only way it can see the light of day is through the discharge route. Let us bring it out and discuss it.

I make this appeal too late, of course, to serve the miners who are gone, and their widows and children. But I do earnestly appeal for those miners who are living but who, perhaps, may meet a similar fate within a very short time. [Applause.]

[Here the gavel fell.]

THE VETO OF THE DE SOTO EXPOSITION BILL

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. REES of Kansas. Mr. Speaker, I have asked unanimous consent to proceed at this time to call the attention of the Members of the House to the President's veto of yesterday on H. R. 9751, being the bill that provided for the authorization of funds for a celebration of the United States De Soto Exposition and for the celebrations that may be held anywhere in the Mississippi Valley. I want to direct your attention to the fact it went so far in the authorization of expenditures that the President could not take it. Here is what he said in part, and I quote:

While H. R. 9751 does not authorize the appropriation of any specific amount, its approval would in effect commit the Federal Government to future expenditures the amount of which cannot at this time be determined.

Here is a bill so broad in its scope in authorization of Federal expenditures that the President himself could not approve it. If you will look at the record, you will find that quotation pretty much similar to that which was said on this side of the aisle. I think four Members on this side of the House spoke against it. Not one of the majority even lifted his voice against it. Then look at the roll call and you will find mighty few on the majority side who even voted against it. It carried by a good majority. For once the President evidently took the view of the membership on this side of the House. When we pass such authorizations as that one, and a number have already passed this House, we will never begin to reduce the tremendous debt that is almost overwhelming this country. When authorizations and expenditures are necessary, we should vote for them. When they are like this one, we should have the courage to turn them down.

Mr. RANKIN rose.

Mr. REES of Kansas. I want to say that I have the greatest respect for the ability and integrity of the distinguished gentleman from Mississippi who worked so diligently for this measure. He is one of the finest Members in this House. But I think his judgment concerning historical facts is so much better than in the expenditure of the public funds. I do not criticize him personally; this measure is of special interest to people in his part of the country.

Now, Mr. Speaker, we spent a good part of a legislative day considering that measure and the amendments—a measure that I feel should not have been brought to the floor. Be that as it may, this afternoon we are to consider a tax bill containing approximately 100 pages, introduced only yesterday, and we are limited to 2 hours' debate under the rule, and with the further provision of no permission to offer amendments. Is it not a pretty strict rule on a measure with so far-reaching consequences and designed to raise from three to six billion dollars annually? I am not in favor of prolonged debate, but if we could spend a lot of time on H. R. 9751, then why not give the tax measure a little more consideration while we are at it? It should take more than the 2 hours to explain a measure of such importance and do it properly.

[Here the gavel fell.]

PERMISSION TO ADDRESS THE HOUSE

Mr. RANKIN. 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. RANKIN. I am glad to know that the Members on the other side of the House, the ex-Republicans, are now falling in behind the President of the United States. Being without a leader, and without a candidate, they are seeking every opportunity now to agree with the President on immaterial matters. So I hope they will get right now on material matters and quit their nagging and their carping criticisms and try to help us in our effort to put the country on its feet and protect it in the present crisis. [Applause.]

EXTENSION OF REMARKS

Mr. THORKELSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD, and include a quotation from the press.

The SPEAKER. Without objection, it is so ordered.

Mr. SABATH. I object.

Mr. RAYBURN. He said his own remarks.

Mr. SABATH. If he wants to extend his own remarks, I do not object.

Mr. THORKELSON. I asked permission to see if the gentleman would object.

The SPEAKER. Will the gentleman from Montana kindly repeat his request?

Mr. THORKELSON. I said, Mr. Speaker, that I asked unanimous consent to extend my own remarks to see if the gentleman would object, for I expected him to object. I realize that I have no rights here to put anything in the RECORD, but I wanted to be sure of it.

The SPEAKER. The gentleman will kindly repeat his request.

Mr. THORKELSON. Mr. Speaker, I ask unanimous consent to insert my own remarks in the RECORD and to include quotations from the press, and the gentleman objected.

The SPEAKER. No; the gentleman has not objected.

Mr. SABATH. Mr. Speaker, I do not object to the gentleman's own remarks, and I never did; only the insertions that are not justified. I do not object, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Montana [Mr. THORKELSON]?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to include in my remarks a very strong editorial from the Lowell Sun.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts [Mrs. ROGERS]?

There was no objection.

[Mrs. ROGERS of Massachusetts addressed the House. Her remarks appear in the Appendix of the RECORD.]

PERMISSION TO ADDRESS THE HOUSE

Mr. BOLLES. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin [Mr. BOLLES]?

There was no objection.

Mr. BOLLES. Mr. Speaker, I was delighted to hear the gentleman from Mississippi say that the Republican side of this side had gotten behind the President. I think he has the elephant in front of the cart. In the first place, the President of the United States in his veto of the De Soto bill simply took for his text speeches that were made on this floor by members of the minority side, and for the first time in many months the President has come over and become a convert. I expect after a while he will take to the "amen" corner.

Mr. Speaker, I did intend to make a few remarks this morning on the "blitzkrieg" on Congress. Everything that is done in this country that seems to be wrong is blamed on the Congress and not the administration. The very, very peculiar thing is that so many of the newspapers and all the administration officials blame whatever waiting or disturbance there may be in operating the defense program upon Congress. I defy them to prove it. [Applause.]

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. CARLSON. Mr. Speaker, I ask unanimous consent to extend the remarks I expect to make on the tax bill today and to include some papers.

The SPEAKER. Is there objection to the request of the gentleman from Kansas [Mr. CARLSON]?

There was no objection.

Mr. JENKINS of Ohio. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. JENKINS]?

There was no objection.

Mr. KNUTSON. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. KNUTSON]?

There was no objection.

Mr. BENDER. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. BENDER]?

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. VOORHIS]?

There was no objection.

Mr. COOPER. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I expect to make on the tax bill today and to include certain data and material in connection with those remarks.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. COOPER]?

There was no objection.

Mr. RICH. Mr. Speaker, I make the same request.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. RICH]?

There was no objection.

THE TAX BILL

Mr. SABATH. Mr. Speaker, I call up House Resolution 583, and ask for its immediate consideration.

The Clerk read as follows:

House Resolution 583

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 10413, a bill to provide revenue, and for other purposes, and

all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SABATH. Mr. Speaker, later I shall yield 30 minutes to the gentleman from New York [Mr. FISH] on the rule.

Mr. Speaker, this is really the first time during my many, many years of service in Congress that the Ways and Means Committee unanimously agreed on an important bill. Not only that, but all of the Members of the Ways and Means Committee who appeared before the Rules Committee requested this most drastic rule that has ever been presented to the House; and in compliance with that request of the majority and the minority, a unanimous-consent request on their part, the Rules Committee granted this rule; therefore, I am not in position today to deny that this is not a drastic or gag rule. Consequently, the gentleman from Michigan [Mr. MICHENER] will be justified today in designating it as such if he desires; but this is as much a Republican as a Democratic rule.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield to the gentleman from Michigan.

Mr. MICHENER. As the chairman of the Rules Committee knows, I was occupied on the floor yesterday and could not and did not attend the meeting of the Rules Committee. Therefore, I knew nothing about the rule, but I understand that this is a House organization rule, and even the chairman of the Rules Committee, who is now addressing the House, choked when he had to report out this gag rule.

Mr. SABATH. Yes; but I could not refuse the unanimous request of the Ways and Means Committee. Although I am regarded, which I admit, as being a new dealer and progressive Democrat, I have never refused to seek the cooperation of the Republicans and give credit when credit was due them which, unfortunately, has not been very often.

This is a drastic rule, admittedly. It provides for 2 hours' general debate. After the 2 hours' general debate, the bill will be considered for committee amendments only. Only the members of the great Committee on Ways and Means will have a right to offer amendments, and no amendments to these committee amendments will be in order. All points of order against the bill are waived. So we have a really stringent rule. However, the matter is of vital importance, and inasmuch as Congress has been charged frequently with delaying the national defense, and as money is required for us to proceed expeditiously, we feel that there should be no delay in raising additional funds with which to meet the expenditures incident to a really effective and adequate national defense.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield to my colleague.

Mr. COX. I should like to make the observation that the committee reporting this rule would regret that any Members of the House should feel that any right is being denied them. Nobody likes this kind of rule. The committee reporting it does not like to report closed rules. The Committee on Ways and Means, requesting the rule, I know with great reluctance, came to the conclusion that it should ask for this kind of rule. However, common sense, Mr. Speaker, impelled us to the conclusion that it was the only sensible way of considering the bill. This rule preserves the integrity of the measure, which is exceedingly technical and complicated. I dare say that no one, or if there be any, very few, Members of the House not members of the Committee on Ways and Means, have anything of a comprehensive understanding of the entire measure. I know it was difficult for the Committee on Ways and Means to put it together. They have had to rely upon experts. I am sure, in presenting their arguments to the House, in the event the rule is adopted, they will very frankly say they have had to rely upon experts. This does not mean that we are delegating to some in the various departments power to legislate for us. It does mean, however, that we have accepted their findings on the questions involved, and upon that predicate the proposal which is offered here this morning.

Again I wish to say that while we do not like it, and regret having been compelled to report this type of rule, we trust there will be no disposition on the part of anybody to attack the committee for reporting the rule, to attack the rule, or to criticize the Committee on Ways and Means for coming to the conclusion that it should ask for this kind of rule in order to protect the integrity of the bill.

Mr. SABATH. I thank the gentleman from Georgia [Mr. COX] for explaining the underlying reasons why this rule was granted; and I regret that I am obliged to disagree with the gentleman's remark that the committee has accepted the expert's recommendations on the bill.

Mr. COX. I did not mean that in the sense that one might construe the gentleman's remark. I meant, of course, that they have had to depend upon the expert knowledge of the experts and have confidence in their integrity and in their high purposes to serve the welfare of the country.

Mr. SABATH. I have been reliably informed, Mr. Speaker, that the Committee on Ways and Means had this bill before it for more than 2 weeks. This is not the bill that was originally recommended to the committee, but is a compromise and better bill. To that extent I feel that the chairman of the Committee on Ways and Means and each member of that committee, including, of course, the members of the minority, are entitled to the thanks of the House for the painstaking and intelligent deliberation they gave this important measure.

Of course, the bill does grant certain privileges to the industries of the United States. It really eliminates the Vinson-Trammell profit restriction, but in lieu of that the bill increases the excess-profits tax up to 50 percent. I presume the committee was compelled to eliminate the Vinson-Trammell restriction because some of the leading industrialists refused to cooperate with the Government and refused to accept orders and proceed with the defense program without definite information as to a new tax bill.

I know, Mr. Speaker, that if that had been done by the labor of America they would have been condemned from one end of the country to the other, so I hope that in the future no one will charge the labor of America, because they desire to earn a sufficient wage on which to exist, with hindering the Government in its national-defense program. Mr. Speaker, I reserve the balance of my time, and now yield 30 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Speaker, I yield myself 15 minutes.

Mr. Speaker, the chairman of the Rules Committee is quite correct. This is a very harsh and drastic rule, perhaps the harshest and most drastic rule that has come before the House in many years. It limits debate upon this important issue to 2 hours, and it provides that there shall be no amendments to the bill. In other words, it is an out-and-out gag rule of the most vicious character.

Mr. SABATH. I admitted that.

Mr. FISH. I am not opposing it; I am trying to tell the membership of the House why the Rules Committee reported this rule and to say to the House that the Rules Committee is nothing but the servant of the House and that the Members can work their will on this rule. But I propose to tell you briefly why the Rules Committee, Republicans and Democrats

alike, brought this bill in under a gag rule. First, the members of the Committee on Ways and Means on both sides, very able and conscientious Members of the House, appeared before the Rules Committee with a unanimous report from the Ways and Means Committee. That committee has given, I understand, 1 month's study to this very complicated problem of taxation. The members of the Ways and Means Committee, both Republicans and Democrats, ask that we give this type of rule because they feel that if the bill was open to debate and amendment we might be here for a week or more, that there might be several hundred amendments offered, and the net result would be to add confusion to a very complicated problem.

Mr. COX. Mr. Speaker, will the gentleman yield there?

Mr. FISH. Yes.

Mr. COX. The members of the Ways and Means Committee further impressed upon the Rules Committee in their appearance before us on yesterday that one amendment might necessitate, maybe, 500 other changes in the entire bill. In other words, this was something, in their judgment, that should be accepted in its entirety and not be thrown out of joint by the adoption of amendments by the House to some particular portion of the bill.

Mr. FISH. That is precisely what the members of the Ways and Means Committee said, and they said there might be several hundred amendments and one amendment alone might so complicate the bill as to result in confusion and practically no bill at all.

Mr. MILLER. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman.

Mr. MILLER. Assuming all the gentleman says is true as to amendments, why only 2 hours for general debate? I have a list of questions that have accumulated in the past month from people who have written me asking for information, and in 2 hours we cannot get enough information from the members of the committee, and we do not know much about it except what we get from them, even to intelligently answer our mail. I, for one, would prefer to sit here all evening and late into the night in general debate in order to get the information and then stop there.

Mr. FISH. I think the position taken by the gentleman is a proper one. I do not know why the Rules Committee should not have provided at least 3 or 4 hours of debate; and if the House wants an additional hour, I rather believe that the majority leader, the chairman of the Rules Committee, and the chairman of the Ways and Means Committee would agree to provide for an additional hour of debate without causing any hardship to any Member of the House.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Tennessee.

Mr. COOPER. With respect to the very appropriate question asked by the gentleman from Connecticut [Mr. MILLER] I just invite attention to the fact that we have prepared and submitted a very comprehensive and exhaustive report on this bill and it includes all necessary explanations, and even illustrations and examples of the application of the bill.

Mr. MILLER. Mr. Speaker, will the gentleman yield further?

Mr. FISH. I yield, very briefly.

Mr. MILLER. In that connection may I ask the chairman of the subcommittee if we will have a liberal supply of the report? I have had numerous requests for information, as I have said, and I believe the report would cover them, but my experience has been that 2 days after a bill has passed the House we can never get any copies of the report.

Mr. COOPER. The reports are now available and if it should happen that an additional supply is needed, the gentleman may depend upon the Ways and Means Committee requesting a reprint of the required number of copies.

Mr. MILLER. I appreciate that very much.

Mr. FISH. I will say to the gentleman from Connecticut that I will give him some time on the rule if he wants it. I have provided some time for him if he needs it.

Mr. MOTT. Mr. Speaker, will the gentleman yield for a brief question?

Mr. FISH. I yield.

Mr. MOTT. What is the merit to the argument that the House must operate under a closed rule of this kind? When the bill goes over to the Senate, they have unlimited debate there and any kind of amendment can be offered.

Mr. FISH. I think there is a great deal of merit in what the gentleman says, because I honestly believe that this rule probably will be adopted and the bill passed by the House and then it will go over to the Senate where they have no closed rule and where various and sundry amendments will be offered, and this bill, may be so drastically changed that you may not even recognize it when it comes back here.

That has happened many times before and will probably happen again. But I think there are many Members of the House who believe that the proper procedure on this bill is to expedite action. On Tuesday we are going to take up the conscription bill. It is expected to finish the conscription bill by the end of the next week. Therefore, if we act today, the excess-profits tax bill would be in the Senate for its consideration all of next week while we have the conscription bill before us.

Mr. MOTT. There may be something to that, but I do not think there is any merit to the contention that the House must necessarily operate under a gag rule while the Senate is entitled to operate under open debate.

Mr. FISH. I am entirely in sympathy with the gentleman. The Members of the House have the power, if they are opposed to this rule, to vote it down. But the Republican and Democratic members of the Ways and Means Committee, some of the most capable Members of the House, made a very good case before the Rules Committee and convinced us that it was in the interest of expediting legislation and of national defense to limit debate and to limit amendments. Although I understand the gentleman's argument, the House can work its will on the rule.

Mr. KNUTSON. Will the gentleman yield?

Mr. FISH. I yield.

Mr. KNUTSON. The gentleman is absolutely correct in what he says. It would be impossible to prepare a tax bill on the floor of the House. It would be amended in such manner as to make it inoperative.

Mr. COX. Will the gentleman yield?

Mr. FISH. I yield to my colleague.

Mr. COX. It should be made perfectly clear that there is no politics in this rule and no politics in the debate. There is no occasion for any direct attack upon anybody or upon any group of business or otherwise.

Mr. FISH. I agree with the gentleman absolutely. This is a unanimous request from the Ways and Means Committee by members who have given a month's study to it.

Mr. COX. The gentleman understands that members of the Ways and Means Committee, who have considerable background in the writing of the tax laws, will not themselves propose any substantial amendment to a bill without consulting with the Secretary of the Treasury and the experts who appear before them.

Mr. FISH. I realize that this bill is not a perfect bill and probably no member of the Ways and Means Committee will say that it is a perfect bill. This is a bill they have gotten together and agreed upon as the best possible bill that they could bring in and get through this House and enacted into law. Probably no member of the committee would claim that the bill in its present form is 100-percent perfect.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. MICHENER. If there is anyone in the House who has constantly, in season and out of season, objected to gag rules, it is I, but if there ever was an excuse for a gag rule or a closed rule, that exists today. [Applause.] We face an emergency. One of the greatest emergencies which we face is to raise money in order that we may carry on our preparation for national defense, and this bill will help do that. We are told that contracts for airplanes and other

material are held up and awaiting this law. Time is of the essence.

Mr. FISH. I thoroughly agree with the gentleman, but I would like to point out to the House that this bill does not go very far toward raising revenue in order to pay for the national-defense program. The national-defense program calls for expenditures by Congress this year of $5,000,000,000. We have authorized expenditures of between fourteen and fifteen billion dollars. This bill will only raise $300,000,000 the first year, and in the second year, it is hoped it will raise a great deal more. But for this year alone it is claimed that it will only raise $300,000,000 and our expenditures will be $5,000,000,000.

Mr. SMITH of Ohio. Will the gentleman yield?

Mr. FISH. For a very brief question.

Mr. SMITH of Ohio. I can understand how this closed rule might be applied to the amortization provisions, but I do not understand why we should have a closed rule with respect to the other provisions.

Mr. FISH. To explain to the gentleman, I will have to explain the bill. There are three provisions in this bill. There is the amortization provision, permitting the companies to amortize over a 5-year period or 20 percent a year.

There is a second provision, which is a very difficult one, of setting up a rule or standard so that a company itself can choose to come under the excess-profits tax on the basis of average earnings for the last 5 years or of its invested capital. The bill sets up two standards. It leaves it to the company to determine on what basis the excess-profits tax will be assessed, whether it will be on the average earnings for the last 5 years or whether it will be on the capital invested. The gentleman himself can see that that in itself is a very difficult problem to formulate in order not to cause any hardship to American industry.

The third provision is to repeal the Vinson-Trammell law, which provides for a limit of 7- or 8-percent earnings on airplanes and battleships.

That is practically what this bill does, but the committee itself and every member will tell you that in reaching a final decision on the bill they had to spend 30 days of hard labor to bring in a tax bill of this kind. I have always opposed gag rules. I think this is the first gag rule I have supported, but I will support it like other Members of the House, in the interest of national defense during the national emergency.

I want to point out that this is not a war-profits tax bill. It has nothing to do with a war-profits tax. I hope to heaven we will not get into war, but if we do, of course we must have a war-profits tax, and I will support such tax up to 90 percent any time the Ways and Means Committee brings it in.

This, however, is not a war-profits tax but is an excess-profits tax that applies to all industries alike—to all companies and all corporations alike. To some extent this bill is unfair because those industries that do not benefit from war contracts are taxed exactly the same as those that do. Those industries which have been going along in their ordinary way will be taxed exactly the same way as the Du Pont companies will be taxed and other munitions manufacturers. Do not get this situation confused. This is not a war-profits tax bill. I am rather inclined to believe, however, that the Senate may consider a war-profits tax and add it to this bill. This is a general excess-profits tax bill that will only raise three hundred million the first year.

Mr. Speaker, if we have the right to conscript flesh and blood, certainly we have the right in Congress to conscript wealth and the almighty dollar. Those who originally sponsored and advocated the conscription bill came mostly from the city of New York. I think I know every one of them—most estimable gentlemen, utterly unselfish in their views. They believe in conscription in peacetime. They have believed in it for 20 years. They believe in putting it into effect as a permanent proposition. No one has the right to quarrel with their viewpoint or the question their integrity or patriotism.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I yield myself 5 additional minutes.

Mr. Speaker, I differ with them. I am absolutely opposed to conscription in peacetime. I want to give the volunteer system a chance, and I propose to offer on the floor of the House as an amendment to the conscription bill the same amendment proposed by the Senator from Arizona [Mr. HAYDEN], which was beaten by 2 votes yesterday, which provides a 60-day leeway to try out the volunteer system.

But, Mr. Speaker, there is a good deal of humor in this whole situation. The very man who sponsored peacetime conscription at the Harvard Club—that litle group of business and professional men; it did not come from the people; it did not come from the farmers or the wage earners, or the National Grange, or the American Federation of Labor; it come from this little group of men mostly representing wealth in the city of New York. The humor of it is that as soon as you have conscription of soldiers it follows logically, as the night follows the day, that you must have conscription of wealth—that you must have conscription of the almighty dollar. The last war proves that. The sponsors of peacetime conscription and these rich men in my district, who are hollering their heads off, probably will be the ones most affected because, as soon as we have conscription in peace or war, we shall have conscription of wealth, property, and the dollar. That is logical, and that ought to be the case, as it is the only fair thing for Congress to do.

Mr. EBERHARTER. Mr. Speaker, will the gentleman yield?

Mr. FISH. No; I would rather proceed.

Mr. Speaker, this is a tax-defense measure, probably only the beginning of many other tax-defense measures if we become more and more involved, but there is one event that happened a day or 2 ago to which I want to call your attention. The papers in this country, and particularly in the East, are almost unanimously for conscription in time of peace; but I do not believe the people back home are. The day before yesterday a primary was held in the State of California. A very great American, Senator HIRAM JOHNSON, the greatest and most outstanding isolationist Member of Congress, went before the people of his State in three different party primaries and won all three hands down—Republican, Democratic, and Progressive. Senator JOHNSON has led the fight to keep America out of all kinds of entanglements, out of the League of Nations, out of the World Court, and has fought consistently to keep America out of foreign wars. This great American isolationist, this man who helped lead the fight in the Senate against conscription in time of peace, carried all three party primaries by a 3-to-1 vote. [Applause.] In spite of the press, in spite of the moneyed opposition, both in the East and in the West, in spite of President Roosevelt, the voters of all parties, except the Communists, were for him. That was the voice of the people really speaking on foreign affairs, and I hope that Republicans and Democrats alike in this House will study those figures, analyze them, and take a lesson from them. And I hope that my candidate for President, Wendell Willkie, will stop following the foreign policies of the New Deal, will stop aping the foreign policies of President Roosevelt, Henry L. Stimson, Frank Knox, and Ambassador Bullitt, and instead follow the policies of HIRAM JOHNSON of Americanism, and keeping America out of foreign wars, and if he does he will sweep the Nation and be elected the next President of the United States. [Applause.]

Mr. Speaker, I reserve the balance of my time.

Mr. SABATH. Mr. Speaker, I yield 3 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Speaker, if I were the only man to do it I would vote against this rule. I am going to vote against this rule, for I was elected to represent the people of the Twelfth District of California with as much intelligence as I can bring to the job. I was elected to conscientiously consider as a member of a legislative body the law under which they are to live. I was not elected to delay or block important legislation. I have never done so. But I do consider it my very first duty in these times to try to see that the terribly important steps we are forced to take

are taken with the greatest care, the greatest consideration for basic justice, and the greatest concern for the very values, ideals, and form of government we are seeking to protect.

We are given this rule upon the excuse, forsooth, that nobody can understand the bill. Believe me, Mr. Speaker, the time has come when it is as clear as crystal to me that a far-flung attack upon the legislative body and upon every Member of House or Senate who would insist on careful rather than precipitate action is under way. We forward that attack by adopting this rule. It would take 5 or 6 hours at least for the able gentleman on the Ways and Means Committee, the chairman of the Tax Subcommittee, Mr. COOPER, of Tennessee, to stand up here in the Well of this House and answer the necessary questions with regard to the bill and to explain it thoroughly. I wish he had the time to do it. [Applause.]

I stayed up the whole of last night studying this bill, and I know something about it. I do not understand it completely, but I do understand it as best I can right now. In the extension of my remarks I am going to show that there are two large loopholes in it and that further provision for the protection of small and growing business could have been made.

I think the committee has done a pretty good job on the whole. I believe it is a better bill than it was before. They have tried to meet these different things, but this is a problem so difficult, so complicated that the House could well afford to sit today, tonight, tomorrow, tomorrow night, and Saturday and Saturday night, and may I point out, Mr. Speaker, that if we did that we would get the bill to the Senate just as quick as you are going to get it there under this rule. I tell you, Mr. Speaker, this rule ought to be voted down in the interest of democratic government itself.

The last citadel of democratic government is in the House and Senate of the United States. I am not for delay. I am for proceeding as rapidly as we can by means of working harder. I would not delay the passage of this bill one day. It has matters in it of great importance, I know. It is true, for example, that industry needs to know as soon as possible just what Congress is going to do. For this and other reasons it is going to be mighty difficult to vote against the bill. I have been contending for a long time that under present conditions an excess-profits tax was a matter of great importance and certainly I could not very well fail to vote in favor of it, but I shall feel exceedingly bad to have to vote for a bill when I know that I have been powerless to offer such amendments to the bill as I know ought to be made and when it has been considered by the House in the most superficial way. This rule is wrong, and I am against it.

SPIRIT OF THE PEOPLE

The American people stand ready today to make any sacrifice and shoulder any burdens which may be necessary to protect their country. There can be no question about that. But the American people have an inborn sense of fair play and their spirits are bound to be dampened when they feel an unfair thing has been done in Washington and to be buoyed up when they know that their Representatives are honestly trying their best to see justice done.

It is tragic but true that every single time this Nation has ever faced a national-defense crisis there have been great fortunes made and those who started out with the greatest degree of economic power have increased that power, while those who were weakest have grown weaker still. This was true in the Revolutionary War, the War of 1812, the War between the States, and the World War. It is the solemn purpose of some of us that this should not happen again. We know we have a hard job to prevent it. We know we shall be bitterly attacked for our efforts. We know it will be falsely said that we are interfering with the defense program. But we shall not be. For the most essential element in the whole defense armor of the Nation is a people united in heart and inspired with the knowledge that at the end of the crisis they can look forward to greater justice, greater equality of opportunity, and a better-balanced national life than they had at its beginning.

This tax bill cannot be considered all by itself. It has got to be considered in connection with many other things. If, for example, there is to be any conscription of manpower, then certainly the time has also come when we must say that the necessary materials and weapons of defense must be turned out forthwith even if some risk has to be run or some possibility of profit sacrificed.

The same causes that are today making a few industries extremely fortunate have taken from American agriculture practically all of its foreign market and deprived some other peacetime industries of part of their business. There must in justice be something done to adjust this inequality between various industries.

Furthermore, this is not just a tax bill that is being considered. It is also a bill to suspend all limitations on profits to be made on Government defense contracts; it is also a bill to allow companies which expand their plants or build new ones to deduct from their income for tax purposes 20 percent of the cost of the new plant each year. The reason for these measures that is given is that they are necessary to get industry to go ahead and take orders from the War and Navy Departments. Already competitive bidding has been done away with, which means practically that the Government will pay just about what it is asked to pay for the defense materials it buys. I am afraid it also means that most of this business will go to the biggest corporations with the little ones left out. The taxing power is the only thing that remains if the public interest is to be protected and if war millionaires are not to be one of our chief products. Yet there are some people who have suggested that the thing to do is just abolish competitive bidding, repeal the profit limitation, and provide the generous amortization provisions and then pass no excess-profits tax bill. In other words, these people are just asking us to say that the sky will be the limit so far as profits on the Nation's necessary defense orders are concerned. And Congress is criticized in certain sections of the press because it will not do exactly the thing I have just outlined. I am glad the Ways and Means Committee did not yield to this pressure. I trust the Congress will not. And I am not advocating delay. I am only advocating that we do the right thing.

REASONS FOR EXCESS-PROFITS TAX

Furthermore, unless the bill is an effective one, we will make possible a serious maldistribution of income not only as between the recipients of large profits on the one hand and the rank and file of the people on the other, but also as between those industries which will inevitably find themselves in a favored position on account of the national crisis, and those other industries, such as agriculture particularly, whose markets have been drastically curtailed as a result of it.

It is an axiom of our economic system that if exorbitant profits are made by some and not promptly reinvested there will inevitably be less purchasing power for goods produced by other farmers or manufacturers and they must consequently suffer loss. The total purchasing power of the Nation is always equal to the total cost of production unless new money is being injected into the system from some source. For all these reasons, but particularly for the sake of having the people of the United States know that the Congress is bending every effort to prevent unfair advantage being gained by anyone as a result of the national-defense effort, I believe passage of an excess-profits tax is most important and I think the very best effort of every Member of Congress should be expended upon it.

Now what do we have in connection with the excess profits tax part of the bill? We have here the problem of what to do about profits over and above normal profits. We are not considering whether anybody should be able to make money or not. We are considering what is to be done about profits which are over and above a normal, fair, and adequate rate of return. The question is, To what extent shall profits in excess of regular, normal earnings be returned to the people on whose shoulders the principal burdens of this defense program rest?

This bill which we now have before us provides maximum excess-profits tax rates of 45 percent under the invested-capital plan and 50 percent under the average-earnings plan. These rates are applied only on excess profits of more than half a million dollars. They will be regarded by many people as very heavy rates. They are; but in times like these I believe they should be and my own belief is that these top rates should, if anything, have been somewhat higher than they are. I say this not because I like taxes—no one does. I say it because I believe it is fair to the rest of the people of America.

Of course, one of the most important and difficult problems is that of determining what "normal profits" are to be. Especially in the case of small or new corporations is this important. I hope their problem has been met in this bill and will make a suggestion regarding it in a moment. Now, obviously there should be a certain minimum allowance for normal profits. If, in the 4-year period 1936–39, which is used to determine normal profits, a company only made 2 percent or 3 percent on its investment, it is nevertheless under the invested-capital plan allowed to increase this to 5 percent—or 7 percent on the first $500,000 of capital—before we begin calling its earnings excess profits. This is a fair and necessary provision.

But there ought also to be a top limit on what can be called normal profits. For example, under the average-earnings plan in this bill we permit companies to average the amount they earned in the last few years and call this normal profits—or excess-profits credit—no matter how big it is. Here is what will happen: The bill requires any corporation which elects to use this plan to pay an additional $4\frac{1}{10}$-percent tax on its regular income-tax payment. This, as I understand it, is intended as a sort of penalty tax and in the case of many corporations it may discourage use of the average-earnings plan. This would be desirable. But in the case of some of the largest and most powerful corporations in the country, which I feel sure will elect the average-earnings plan, they will not pay any excess-profits taxes unless they make profits of more than 18 percent, 25 percent, or in some cases more than 30 percent.

For example, for the 3 years 1936, 1937, and 1938, when many businesses were not enjoying particularly prosperous conditions, some corporations made very handsome profits.

Here is what some corporations did in 1936, 1937, and 1938, and therefore what their excess-profits credit will be if no ceiling is provided as a limitation on such credit:

Average profit for 1936, 1937, and 1938 in percent of invested capital

Chrysler Corporation	42.03
General Motors	22.19
Packard Motors	8.91
Consolidated Aircraft	21.51
Curtiss-Wright Corporation	9.48
Douglas Aircraft	17.00
Iwing Air Chute Co	33.85
Lockheed Aircraft	9.19
Glenn L. Martin Co	16.88
North American Aviation	14.41
Spenz Corporation	39.23
United Aircraft Corporation	17.53
Wright Aeronautical Corporation	30.34
Allied Chemical & Dye Corporation	15.83
Dow Chemical Corporation	13.31
E. I. du Pont de Nemours Co	14.45
Union Carbide & Carbon Co	15.97
United Carbon Co	17.17
Liggett & Myers Tobacco Co	16.65
Philip Morris Co	35.38
R. J. Reynolds Tobacco Co	23.43

These figures are entirely reliable, for they are the figures submitted by the corporations themselves to the Securities and Exchange Commission. They are for profits as percentages of invested capital—defined as net worth plus long-term debt.

Some of the above figures are to be compared with others, such as 9.19 percent profit for Lockheed Aircraft and 8.91 for Packard Motors, two corporations which, I understand, have been most cooperative with the defense program. They are also to be contrasted with the very modest earnings of corporations in other lines of business. But until these corporations show profits of more than the amounts indicated in the above table, they need not, under the bill, pay any excess-profits tax at all, though they will pay the extra $4\frac{1}{10}$ percent on their regular income tax. My belief is that either a limit should be placed on the amount that can be claimed as excess-profits credit or else the penalty tax rate should be more than it is, or else that the average-earnings plan should be dropped entirely and adjustments made in the invested-capital plan more favorable to small and new corporations than its present provisions.

It must be remembered that in the end the American people are paying for the increased business which caused these additional earnings to be made, and that the patriotism and sacrifice of the people is the base on which the whole thing rests. It is true we are not at war, but it is also true that our efforts should be in the direction of greater equality of opportunity and better spread of income which are and have always been fundamental objectives of the American Nation.

SMALL CORPORATIONS

Our efforts should be to encourage small enterprise and discourage monopoly. I recognize the effort the committee has made in various places in the bill to give consideration to the small corporations. But it seems to me a more effective plan would have been to give a corporation complete exemption from the excess-profits tax of additional earnings up to, say $10,000, or even $15,000, provided its net income for normal tax purposes was not in excess of $50,000. Such a plan would have freed a great many small businesses from the complicated job of making returns under this bill.

AMORTIZATION—IT ALL DEPENDS ON WHOSE MONEY IS RISKED

I realize fully that the matter of pushing forward the defense program is of primary consideration. I want to believe that American business stands ready to cooperate in this respect on the basis of fair and just returns and that its cooperation does not have to be purchased. It is obvious that a private corporation cannot afford to construct extensive new plant facilities or to retool its plant if all it has to look forward to is the meeting of a peak demand for national-defense material over a comparatively short period of time. Therefore, I am personally of the opinion that in the munitions industry itself such peak demand needs should be met by means of the construction of plants or the purchase of tools by or for the Government itself and the leasing of such facilities on a fair basis to those capable of running them. But if a private corporation does risk its own money and construct additional plants and facilities to meet the demand of national defense, then I understand the importance of special amortization allowances to such a corporation. This is provided, of course, in the bill. But I believe the words, "to the extent that such cost has been actually borne by the corporation," should have been inserted in the proper place in order to avoid what seems to me to amount to the Government practically giving plants and facilities away.

For in connection with defense contracts there can easily be cases where a corporation does not risk its own funds nor take any chances whatsoever. For example, suppose a corporation sets up a subsidiary and secures an R. F. C. loan for the construction of a new plant, the R. F. C. having no other security than the new plant to be built out of its loan. Suppose further, that the business of this new plant will be the filling of orders for the War Department with prices fixed high enough to pay off the R. F. C. in the amortization period, so that one agency of the Government will be paying to the company through its purchases the income necessary to repay the R. F. C. loan. In such a case, the corporation has taken no risk at all itself. But as I understand it, even in such a case it is proposed that it would receive a 20-percent amortization credit each year. The whole purpose of this special 5-year amortization provision is, as I understand it, to compensate business for risks which it may take. Under a circumstance such as I have outlined, it certainly seems to me, after the

amortization is complete, that the plant should belong to the United States. Its costs would have been completely amortized and the corporation would have received the profit from the contracts given it by the Government. As a matter of fact, I think many businessmen would prefer to have the title to these facilities in the Government all the way through, for were this the case not only would they be protected against loss but in future no trouble over the matter could possibly arise. Since nothing in this bill would prevent a situation such as I have outlined, I earnestly hope the R. F. C. and the Defense Council will do their best to protect the public interest in matters of this kind.

I sincerely believe that democracy is on trial now as it has never been before, and believing that, I think the Members of Congress have a responsibility which is so tremendous that it terrifies one to think of it. The consideration of this tax bill presents one phase of how this responsibility is developed, and, I think, one example of how difficult it is for Members of Congress to exercise or have an opportunity to exercise and meet that responsibility. I wish to make a proposal regarding how I think we can better discharge it.

During the World War, Congress adopted an excess-profits-tax law and without doubt the House and Senate committees thought at that time that they had written a measure which was clear and which would involve no great difficulty for the administrators. But what actually happened was that bureau chiefs practically assumed the responsibility, and perhaps had to assume the responsibility, of writing their own excess-profits-tax law by means of opinions, rules, and regulations.

For example, long after the war in 1924 a select committee of the Senate made an investigation of the Bureau of Internal Revenue and found among other things that it was 8 years after the law was adopted before the Solicitor of the Bureau of Internal Revenue issued his opinion setting forth the principles upon which the amortization deductions were to be decided. For 8 years, the report indicates, employees in the Bureau of Internal Revenue floundered around, one group deciding it one way and another group another way. Obviously, it is not fair either to the taxpayers or to the Government.

Railroads, for example, were denied the benefit of the amortization provisions of the law but some railroads, owned by industrial corporations, got amortization allowance. One claim of a great corporation to the effect that war orders had compelled it to build plants from 34 to 40 percent in excess of its post-war necessities was approved on the basis of statistical computation. But testimony before the Senate committee showed that at the very time the corporation was claiming it had excess plant facilities, it was before the Federal Trade Commission pleading it did not have sufficient plant capacity to meet demands.

Another corporation claimed amortization of $55,000,000. The Senate committee questioned $27,000,000 of this deduction, but the Commissioner insisted the claim was closed and could not be reopened. When the committee proved that if the Bureau would use actual production figures of the corporation instead of estimated figures, millions of dollars of the amortization claim could not be supported, the claim was reopened.

These are only examples and to a certain extent they are ancient history. But the object of my mentioning them is to prevent their happening again and to urge that both for the sake of taxpayers and the Government steps be taken to see that the same sort of uncertainty does not take place in the carrying out of the law now under consideration. For otherwise the regulations and administrative decisions adopted by the Bureau may become more important than the law itself and it will be difficult, if not impossible, for Members of Congress to know what is being done or to effectively carry on their responsibility to the taxpayers, the Government, and the people.

It is true that, as a result of the Senate investigation, Congress created the Joint Committee on Internal Revenue Taxation and, while that step was good, frankly I do not believe it has solved the problem. The Members of the House have little opportunity to make use of the joint committee and, in fact, I doubt that many Members of the House, aside from those on Ways and Means, know what this joint committee or its experts are doing. I would make two suggestions:

First. The Congress should require the Bureau of Internal Revenue to submit its regulations for the administration of this act, and the joint committee should be required in this bill to take responsibility for reporting to Congress its approval of the regulations. We should develop a method of maintaining a day-by-day check on the law. I can see no other way of improving the law and of permitting Members of Congress to exercise their responsibility.

Second. Congress on a number of occasions has voted against making income-tax returns a public record. There is no reason to believe that Congress would change its opinion if that issue were now raised. Members of Congress and supporters of secrecy insist that the income-tax payers should not be divulged by the Government. But is there any reason why we should not require in this bill that the Bureau report to the Congress the amount of deductions a corporation has claimed for amortization, for depletion, and for depreciation? Perhaps those reports might help to accomplish what I desire—to inspire interest on the part of Members of Congress in what these provisions in the tax laws mean in practice.

On all the points I have covered in this speech I had prepared amendments. There is, of course, no opportunity to offer them. But I have tried at least to write my record on the matter and to make suggestions which might possibly have some influence on the future course of this legislation.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Speaker, the gentleman from California [Mr. VOORHIS], who just spoke, expressed my opinion on this rule almost exactly. This rule, in my judgment, is a buck-passing rule between the Rules Committee and the Committee on Ways and Means. They brought the rule in here with the idea that we, as Members of the Congress, should accept the bill as it is in toto. We have no say whatever in changing it. The Members cannot change the tax bill if you adopt the rule. The only ones that have any rights or any privileges at all in connection with the bill are members of the Ways and Means Committee. The other Members of the House must sit here like a bunch of boobs and take it, if you like it or not, if it is just or wrong. There are not 40 Members of the House who know anything at all about the tax bill before us.

Mr. Speaker, as far as voting for taxes is concerned, I have to support the bill because I have to vote for taxes to keep this Nation from sinking. You have to vote for taxes to keep this Nation from going on the rocks, from going to bankruptcy. For 7 long years we have been squandering and blowing in the money of the taxpayers of this Nation to the extent of 100 percent, practically, more than we have taken in. I have opposed most of this squandering. We find ourselves in a terrible situation at this time—financially—spending, war talk, "fifth column," and so forth.

Mr. HAWKS. Will the gentleman yield?

Mr. RICH. I yield to the gentleman from Wisconsin.

Mr. HAWKS. May I make the remark that the members of the minority and majority who have spoken have done a pretty good job of implying that we who are against the rule are for slowing up national defense, which is not true?

Mr. RICH. Well, they do the most insinuating things around here that I have ever seen in my life. Unless a man has a little bit of the initiative of his own and is not afraid to battle this New Deal, you will not get up here and speak. It takes a lot of intestinal fortitude to get up here and tell them what you think, but I have never hesitated in that respect. The New Deal is leading to dictatorship, to the break-down of our form of government.

Let me call your attention to the rule as it is presented to us—

All points of order against the said bill are hereby waived.

In other words, all the rules of the House of Representatives that have been established and which we have been following are waived when you adopt this rule. Is not that a sweeping admission of dictatorship?

No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding.

We just simply say that we will do away with all of the rules of the House in order to stick this bill down the throats of the Members of Congress, and on to the taxpayers even if we do want to increase taxes, and if I were doing anything I would increase taxes now rather than decrease them. We must raise more money or spend less and I am for spending less on many worthless functions this New Deal has placed us in. I have to vote for taxes to save the Nation and I am going to vote for them. But there are a lot of things I would add to the bill if I were doing it. If we are going to conscript the boys of this country in peacetimes, if we are going to make this a great militaristic Nation, and God forbid that will ever happen, I say that we have just as much right to take the industries of this country and put them to work, and take those fellows who have been writing to me saying that we must have conscription and stick them in the front-line trenches so that they could stand the gaff of war. I think if we did that they would not be so blamed anxious to have us go into war. [Applause.]

Mr. Speaker, what does this legislation do? It raises $305,000,000 for 1940 and $700,000,000 for 1941, a picayune amount, considering your spending, and they say that this is a national-defense bill. You ought to have a bill providing for five times as much. Every year for the past 10 years you have been going from a billion and a half to $4,000,000,000 in the red.

You have appropriated for national defense and authorized for national defense at this session of Congress $14,702,000,000, and now you bring in a national-defense tax bill for $700,000,000 for 1941, or only one-twentieth of your spending. When the former tax bill, passed about 2 months ago for $1,007,000,000, was enacted it was then shown that we would be over five billions short of a balanced budget for 1941; now with the national-defense appropriations coming since that time shows that if all the money is appropriated and spent that has been authorized we will have a deficit of around ten to fifteen billion dollars, depending on the contract authorization. That means that you will have to raise the national debt from forty-nine billions to sixty or seventy billions in a year or else tax the people till their backs break. We certainly are heading for disaster. I say to you the worst is yet to come. We must have sound men at the head of our Government or else America is doomed to lose its freedom, its independence, and its form of government.

Mr. Speaker, you cannot get sufficient time to condemn any of this sort of legislation. It is a terrible situation. [Applause.]

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. BOEHNE].

Mr. BOEHNE. Mr. Speaker, I shall confine all of my remarks to title 2 of this bill, which is listed as "Amortization deduction." I do this because I think it is of extreme importance that this particular provision of this bill be viewed in the proper perspective. From various sources, it is intimated that this liberal treatment of amortizing the cost of new buildings is considerably out of the ordinary. With this thought, I disagree.

This bill follows the recommendation of the Subcommittee of Internal Revenue Taxation in that corporations are allowed a deduction for excess profits-tax purposes for the amortization of new facilities, which are certified by the Advisory Commission to the Council of National Defense and either the Secretary of War, or the Secretary of the Navy, as necessary in the interest of national defense during this present emergency.

The effect of this is that such new facilities as are required may be amortized over a useful life of 5 years upon what may be called a straight line method, that is at the rate of 20 percent per year. A very necessary proviso, however, states that if the emergency should be terminated prior to the expiration of such 5-year period, such amortization should be on a straight line basis over a shorter period.

Considerable confusion of thought appears to exist in the minds of some persons as to the nature of the benefit which will be conferred upon corporations supplying the required new facilities under this title. Some say that in the enactment of this title, we confer a bonus, a bounty, or a windfall upon the corporations electing to make use of the proposed provision. The effect of the treatment of amortization as outlined in this title can be shown very clearly, first, by explaining to you the provisions of existing law, and second, by an understanding of the difficulties which have been encountered in the application of existing provisions to the situation created by the existence of a national emergency.

Existing law states that all taxpayers are permitted a reasonable allowance for the exhaustion, wear and tear of property, including a reasonable allowance for obsolescence. Now, what is the reason for such a provision? Federal income taxes are based upon the net income of a specified period which is designated as the taxable year. The production of net income usually involves the use of capital assets which wear out, or are consumed in such use. The wearing out, or consumption usually is gradual, extending over a period of years. In such cases, it is called depreciation and the period over which it extends is the normal useful life of the asset.

It is elemental that in determining the true net income derived from the operation of a trade or business, all operating costs or expenses must be deducted. The consumption of capital represented by depreciation or obsolescence is very definitely an operating cost or expense, and must be recognized the same as other operating costs or expenses.

Of course, it is no secret that the anticipated normal useful life of an asset may be shortened by the progress of the arts and sciences, changed economic conditions, by legislation or otherwise. This lessening of the useful life of the asset from such causes is termed obsolescence. Therefore, obsolescence may be defined as the process of becoming obsolete, brought about by the progress of the arts and sciences, changed economic conditions, and so forth, whereby it can be predicted with reasonable accuracy that property used in the trade or business will be useless at a definite future date prior to the expiration of the normal useful life of the property.

The Government is asking corporations to risk private capital in the expansion necessary to give us the articles needed for our national defense. The manufacturer, quite naturally, asks his counsel whether or not he can amortize a new facility over its expected 5-year useful life, and if so, how. Only the present statutes and regulations can answer that question.

In every instance, the Bureau of Internal Revenue has held that the burden of proof concerning the time when obsolescence starts is entirely upon the taxpayer. Quite a number of actual cases could be cited to substantiate that statement.

The conclusion that is, therefore, reached from such cases and from the actual experience of taxpayers has been such that no certain answer can be given to a manufacturer regarding what rates he may use, because in the first place, it may be his opinion that the emergency may last 5 years, yet his opinion is not enough, and he cannot now be sure of giving the positive proof required. In the second place, the exact future point when the end of the useful life of the new facility can be definitely fixed is very uncertain.

The effect of this uncertainty, the inability to predetermine the rate of depreciation under existing law naturally has had a retarding effect on the defense program. The Treasury Department, the War Department, the Navy Department, and the Defense Commission have been unanimous in expressing their opinion that there has arisen in the midst of contractors, who desire to create the facilities the Government requires, a barrier of uncertainty as to the conditions under which they are to operate. Private capital cannot be expected to be made readily available in the face of such uncertainties. I

want to believe that it is willing to cooperate if it knows the rules under which its stockholders' money is to be risked.

From a purely business standpoint, the risk of loss of capital is considerable in expending stockholders' funds for specialized plants or equipment where no legal assurance of orders over the 5-year period is given, particularly in the face of past experience where the termination of the emergency will lead to no further orders, cancellation of present ones and to possession of a useless plant.

In the case of all of the major contracts which have been negotiated under the defense program, after days and weeks of attempting to apply the present tax provisions to the individual problems of the manufacturers, rather than risk their own capital, these contractors have insisted upon the use of Government appropriations to furnish the required additional facilities. Unless this is changed by the adoption of this title, then governmental capital alone will be required to finance the major portion of the cost of construction of these facilities.

The manufacturer in his dealings with the Government must fix what must be the expected useful life of the additional facility, which he is being asked to make available. The changes in our national economy as affected by the defense program are the complicated factors in the light of which the rule of reason must be applied. The thousands of items required to carry forward successfully this program to insure our national defense require the introduction of some standard of reasonableness. The Congress by now fixing what is reasonable in the light of present circumstances can secure prompt action, for once a fixed standard of reasonableness is decided upon, the problem of the manufacturer resolves into a simple one of mathematical computation. The subcommittee and later the full committee, therefore, recommended that a fixed standard of 5 years, or a 60-month period, be used at the manufacturer's election in determining the useful life of emergency facilities.

Now, just what do these amortization provisions do? First, they fix the useful life of facilities certified to be necessary in the national defense as 5 years. They remove all problems of proof.

Second, there is no bounty, bonus, or windfall involved. Introducing certainty into the present provision is a desirable improvement. It is designed to give the manufacturer, who is asked to furnish needed new facilities, only a fair break.

Finally, the effect of the clearing-up process is to give a straight-line basis—20 percent a year—as against a low initial percentage for most of the useful life with a very high percentage over the last few years of useful life.

Furthermore, under the proposal in title 2, amortization is on a straight-line basis over a fixed useful life of 5 years, subject to a shortening if the emergency terminates at an earlier date. Under no method may more than 100 percent be deducted from gross income subject to tax at the going rates.

In the present national emergency, business is asking no favor of the Government when it merely desires the certainty that private capital expended to construct, or used to acquire, a needed new facility, certified to be necessary for the national defense, may under this law be amortized over a 5-year useful life, which is what business is being told is the present program. If the emergency lasts longer—6, 7, or 8 years—no further deductions have been requested or will be allowed. The proposed amortization provisions will do no more than is fair and just. It will certainly aid national defense. [Applause.]

Mr. SABATH. Mr. Speaker, I yield 1 minute to the gentleman from Missouri [Mr. SHANNON].

Mr. SHANNON. Mr. Speaker, this is not a "gag" rule; it is legislative infamy gone mad.

In the very early days of this Republic, Hamilton taught that the public needed managers; Jefferson preached no—that the people can be trusted. And so, it was concluded by the founders that we were to establish a representative government.

The Ways and Means Committee and the Rules Committee have taken over the passage of a bill to provide revenue, and for other purposes, comprising 105 pages. Under the proposed rule there shall be a bit of mouthing on the bill—general debate. The people's representatives may chatter a little bit on the subject but no Member shall be permitted to offer an amendment, even if it be so simple an amendment as to change a "V" to an "A," unless he be a Member of that august body called the House Ways and Means Committee; and if an amendment is offered by one of these men any one of the rest of the 410 Members of Congress cannot even offer an amendment to that amendment. It is frankly stated that the members of the committee are in doubt about the bill itself, and they are afraid that somebody might do violence to it if permitted to act in any way upon it.

The citizen at home, as he wakes up on the cold gray dawn of election in November, should feel, "Have I any voice in government after all? When I send men to Congress, those who permit selective groups such as the Rules Committee and the Ways and Means Committee to deny me, through my Representative, any voice in the making of legislation, truly my Member of Congress is a mere automaton in legislation of this kind." [Applause.]

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I yield the balance of the time on this side to the gentleman from Connecticut [Mr. MILLER].

Mr. MILLER. I agree with every thought expressed by the gentleman from California [Mr. VOORHIS]. While I realize the necessity of maintaining the integrity of this tax bill, there is no excuse or reason for limiting debate to 2 hours, as suggested by the gentleman from California [Mr. VOORHIS]. We could discuss this bill today, tomorrow, and even Saturday and still have a bill ready for action by the Senate as soon as if we passed it this afternoon.

I have had numerous letters asking questions about certain provisions of this new tax bill. Unless some of these questions are answered during general debate by members of the Ways and Means Committee, it is impossible for me to even reply to my mail intelligently. I am not going to try to discuss any of the excess-profits-tax features of this bill, but will confine my remarks to the section providing for amortization of plant expansion by industries who are furnishing the needed material for our national defense and the suspension of the provisions of the Vinson-Trammell Act.

At the outset I wish to challenge the statement just made by the gentleman from Illinois [Mr. SABATH] that leading industrialists in the aircraft industry of this country have refused to accept orders because of the profit limitations of the Vinson-Trammell Act. The Secretaries of War and Navy and representatives of the National Defense Commission have testified before committees of this House that that is not a fact; that the aircraft industry has not refused to proceed as rapidly as possible. Aircraft and engine manufacturers have said that it was impossible to determine the price of the product until they knew what was to be done about amortization and what items of overhead will be allowed under the Vinson-Trammell Act. Further than that, contractors providing parts for aircraft industry have stated that they would prefer not to accept orders from airplane manufacturers because of the restrictions of the Vinson-Trammell Act. Orders received by numerous subcontractors from airplane-engine contractors, for example, have amounted to only 15 percent of the total business of the subcontractor. These subcontractors do not want to change their whole system of accounting just because of this aircraft business, particularly at a time when they can take all the orders they can handle from munitions, machine-gun, and tank manufacturers. Figures in the hands of the Navy Department definitely prove that the cost of aircraft and ships has been increased since the enactment of the Vinson-Trammell Act.

Recently an article appeared in Nation magazine accusing aircraft industries of conducting a sit-down strike. Around the same time this article appeared, the United Aircraft

Corporation, of which Pratt & Whitney Engine Co. is a part, was carrying on negotiations with the Ford Motor Co. As a result of these negotiations, the Ford Motor Co. has been authorized to manufacture 4,000 Pratt & Whitney engines at a royalty of $1 per engine. At any other time and under any other circumstances Pratt & Whitney would have collected from 1 to 5 percent in royalties on these engines. That transaction, on the basis of $1 per engine, netted Pratt & Whitney $4,000 instead of the regular royalty of $800,000 to which it would have been entitled under a 1-percent royalty. Compare such patriotism with that of Robert & Co., of Atlanta, Ga. Robert & Co. is the engineering and architectural firm of Lawrence Wood "Chip" Roberts, Secretary of the Democratic National Committee. This firm has received royalties or fees totaling $931,560, representing percentages ranging from 2.8 to 4.5, on individual naval contracts.

At the press conference of the Secretary of the Navy this morning, Mr. Knox, in announcing the completion of negotiations with Pratt & Whitney for the procurement of a large number of aviation engines for the Navy Department, definitely denied that there had been any delay or sit-down strikes on the part of United Aircraft Corporation. He praised the fine spirit of cooperation shown by the officials of United Aircraft and wanted them to have full credit for the fine spirit of patriotism. Secretary Knox pointed out that the fact that Pratt & Whitney had been willing to take this order and agreed to expand its plant, in the absence of congressional action, proved their good sportsmanship.

Instead of penalizing the two industries to whom we look for a large part of our national-defense equipment—the aircraft and shipbuilding industries—we should extend every reasonable assistance to them, as well as cooperation.

Sometime I hope that the chairman of the House Naval Affairs Committee will take the time to explain to Members of Congress and our good friends in the press gallery, the actual restrictive measures of the Vinson-Trammell Act, and that he will point out that under that plan, aircraft-engine manufacturers can and have lost large sums of money on these cost-plus-a-fixed-fee contracts. These losses are brought about because of the numerous intangible items of expenses that are not taken care of by the auditors working under the Vinson-Trammell Act.

Mr. VINSON of Georgia. Mr. Speaker, will the gentleman yield?

Mr. MILLER. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. I am thoroughly in accord with the decision of the Committee on Ways and Means that the act should be suspended for the time being. It is working a hardship.

Mr. MILLER. I know the gentleman is, but I said I wish he would explain the workings of these negotiated contracts, because in conversation with Members of the House I have found that many feel that it is impossible for a manufacturer to lose. I talked to the president of the United Aircraft Co.—we will name names—Mr. Eugene Wilson, and he told me here in Washington yesterday morning that at no time in any of the negotiations with the War Department or the Navy Department had he or any representative of his company brought up the question of suspending the Vinson-Trammell Act or passing this amortization plan. He has authorized the expenditure of millions of dollars on nothing more than the understanding that this measure we have before us would pass. I think that at least the units with which I am familiar, the United Aircraft and Pratt & Whitney, have been very fair in their dealings with the Government. [Applause.]

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I do not know of anybody in whose devotion to his duties and in his patriotism I have greater confidence than the gentleman from California [Mr. VOORHIS], but, unfortunately, he does not realize that no such important and technical a measure as this can be written on the floor of the House. It is a complicated measure. It requires a great deal of intelligent study before such a bill is properly drafted and acted upon.

Mr. BOEHNE. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield to the gentleman from Indiana.

Mr. BOEHNE. I was interested, Mr. Speaker, in the statement made by the gentleman from Connecticut a few moments ago, and I believe it would be of interest to the House to know that at 10:30 this morning I was in a certain office in one of the bureaus downtown which has much to do with the defense program in order to find out where some of the plants, aircraft and otherwise, were to be built, and I was told that everything was being held in abeyance until the passage of this bill that we propose to pass today.

Mr. SABATH. There might have been some misgivings as to title 2 of this bill, but after the intelligent explanation of the present situation by the gentleman from Indiana [Mr. BOEHNE], I feel that no one can possible question the action of the Committee on Rules in granting a rule for its immediate consideration.

Mr. MILLER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I am truly sorry that I cannot yield now. The gentleman refused to yield, and I cannot yield at this time.

The same is true with reference to my beloved friend from Missouri. He takes offense because the full House has no opportunity under the proposed rule to offer amendments and also because the bill is not to be taken up under the 5-minute rule. My aggressive friend and colleague from Missouri [Mr. SHANNON], whose progressive views I greatly respect, further charges that we are following Hamiltonian instead of Jeffersonian doctrines. In answer let me state that we are here as the duly elected representatives of the people, acting for them, and therefore his charge is not justified.

Mr. Speaker, ladies and gentleman of the House, the gentleman from Michigan [Mr. MICHENER] stated that it must have been with reluctance that I voted for and reported this bill. In that he is correct, but in view that he has followed my course in opposing drastic and "gag" rules and now states that conditions demand and justify the passage of this rule, I am relieved of any qualms as to my action. I cannot justify setting myself above the unanimous action of the Ways and Means Committee, and in view of the fact that the Republicans joined with the Democratic members of the committee, there was nothing for me or the Committee on Rules to do except to grant the unanimous request of the Ways and Means Committee that has devoted weeks of constructive and intelligent study and consideration to this measure.

I do not know what the gentleman from New York [Mr. FISH] will do when the time comes to act. I agree with him that this is not a war measure. I, for one, will say this: When we do adopt a conscription measure, when we vote to conscript labor, I shall vote to conscript capital also, and I hope the gentleman will do likewise, so that we may do equal justice to all.

Mr. Speaker, I believe this legislation is urgently needed for national defense and, consequently, I hope the rule will be adopted and the bill speedily enacted into law.

Mr. Speaker, I now move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the passage of the resolution.

Mr. VOORHIS of California. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were refused.

The resolution was agreed to.

A motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. SABATH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

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

There was no objection.

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on Postmaster General James A. Farley.

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

There was no objection.

Mr. COFFEE of Washington. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a brief excerpt from the Tacoma Labor Advocate, my home-town newspaper.

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

There was no objection.

Mr. CELLER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the pending bill.

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

There was no objection.

Mr. VAN ZANDT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein The Eagle's Pledge to America.

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

There was no objection.

Mr. HINSHAW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include the leading editorial from the Times-Herald of this morning.

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

There was no objection.

THE SECOND REVENUE BILL OF 1940

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. 10413) to provide revenue, 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. 10413) to provide revenue and for other purposes, with Mr. O'NEAL in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. DOUGHTON. Mr. Chairman, the bill now before the Committee for consideration is the result of 4 weeks of arduous work and careful study by the Committee on Ways and Means.

Much has been said about bringing this bill up under a closed or a "gag" rule. So far as I am concerned, as chairman of the Committee on Ways and Means, ordinarily I would not favor bringing a bill of this nature in under a closed rule or under one that prohibited amendments, and had it not been that it was the unanimous opinion of the members of our committee, both the majority and the minority, that it was the only feasible and practical way to bring this involved, intricate, and difficult bill before the House for consideration, I would not have appeared before the Rules Committee and asked for a closed rule. However, under the circumstances, I feel that the rule under which this measure is brought before the House is fully justified. Had it not been, I am sure the membership, both the majority and the minority, would not have concurred in that viewpoint.

Mr. Chairman, I am very happy to say that the bill has the unanimous approval and support of our committee.

During our 4 weeks of strenuous work, there was not a partisan expression heard. Realizing that national defense is not a partisan question but that it is by far the most important question now before the Congress and before the American people, we went about our work free from any hope of party advantage and during the entire consideration of the measure no one could have even suspected by anything that was said or done that there were any political parties. The minority members of our committee are entitled to the same credit for what has been done as the majority members. The same is true, of course, of any blame or criticism that may be attached to or directed against our work.

I shall only undertake to give a brief outline of the main purposes and provisions of the bill, leaving to the distinguished chairman of our subcommittee, Mr. COOPER, and other members of the committee the work of its further explanation.

The bill has two essential and fundamental aspects: First, it clears the way for action on the part of those corporations whose efforts and cooperation are needed to furnish materials and weapons for our national defense; next, it limits the profits of all corporations by an excess-profits tax, which, while it will allow a fair return free from excess-profits tax, will, we believe, substantially restrict the enrichment of already wealthy persons and prevent the creation of "war millionaires" as a result of our national-defense program.

In modern warfare the manufacturers of guns, ammunition, airplanes, and battleships are not the only persons who stand to profit by the defense expenditures. Almost every industry in America will feel the stimulus which the enormous armament program will give.

If we should attempt to segregate those increased profits due directly to the defense activities from other increased profits, we would confront an insuperable problem. No one could say just where such a line should be drawn.

It will be recalled that during the recent debate on the revenue bill of 1940 we promised the early consideration of an excess-profits tax. Soon thereafter the President, in a message to Congress, urged the adoption of such a tax with steeply graduated rates.

The matter was referred to a subcommittee of the Committee on Ways and Means, which, under the chairmanship of the gentleman from Tennessee [Mr. COOPER], after full consideration reported its recommendations to the full committee on August 8. Hearings were immediately begun and from the 9th to the 14th of August all those who desired to testify were heard.

We gave hearings to every interest, to every individual who desired to come before our committee and have a hearing on this very important question. We did not feel that it was fair to the American taxpayer, to our committee, or the Government to undertake to write a tax bill as involved and as important as this without giving the taxpayers an opportunity to be heard.

We are well aware that the bill is not perfect and we know, furthermore, that if we worked for 6 months or 6 years it would still be imperfect. It will be remembered that the last excess-profits tax law was enacted in 1921 and repealed in 1925. As a result of that excess-profits tax law there has been a tremendous amount of litigation, and the Treasury encountered serious difficulties and expense in its administration.

The committee has been criticized in the press for what has been termed "delay" in bringing out this bill. It may be that the press and Members will take it upon themselves to criticize the committee for the complicated nature of the bill and the report accompanying it.

I shall not apologize for either the "delay" or the complication. I want to explain the reasons for both, for apology is neither necessary nor appropriate.

This bill deals with American corporate business engaged in every form of enterprise known to man—with corporations of all types and sizes, from the colossal corporate giants with their multitude of interlocking and associated companies to the small single corporation. It covers the most widespread and the most concentrated—the enterprises of a single endeavor and those engaged in manifold activities.

To deal with the taxation of corporate business is to deal with it as we find it. If corporations make their affairs complicated, we must have a complex corporate tax structure.

Our taxes must follow the intricacies of business and not attempt to bend business to the pattern of simplicity we should all like to see in taxation. A simple statute which would be adequate to tax equitably the corner grocery store simply will not work when applied to the United States Steel Corporation. A statute which seeks to tax the war profits as they should be taxed may cause a serious hardship to a small business.

In this respect I should like to refer to the rule under which we are proceeding. If amendments other than committee amendments are allowed, it would be possible to completely wreck the whole structure of this bill. The admission of a single change which was not thoroughly thought out by experts might play havoc with the delicately balanced provisions of the bill. And it would be necessary to have it recommitted to the committee in order that the changes or amendments might be ironed out so that the entire bill would not be wrecked.

The committee has had the duty of restricting to as great a degree as possible the loopholes through which the clever might escape. At the same time we have done our best to prevent the imposition of undue hardships on any taxpayer.

The gentleman from California [Mr. VOORHIS] said this morning that there were loopholes in the bill. He perhaps knows more about it than those of us who have studied it for 2 months. Perhaps he is better prepared to write a tax bill overnight than the committee after 4 weeks of arduous study, but I doubt if he could convince the House of that fact.

As I have stated, the bill is not perfect and will not be made perfect, but Congress will be in session hereafter. There will be ample opportunity afforded to correct any injustice, by amendments, that may be found in this legislation or any other legislation. The thing to do now is to get this legislation on the statute books so that our national-defense program can go forward.

My good friend the gentleman from Georgia [Mr. VINSON], the able chairman of the Committee on Naval Affairs, knows that our defense program is being delayed on account of this bill not being passed and the contractors not knowing just what laws they will be required to operate under.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. VINSON of Georgia. The gentleman is absolutely correct. It will aid the national-defense program by the immediate enactment of this bill and by the suspension of the laws which were enacted in peacetimes, and which should be suspended during this emergency.

Mr. DOUGHTON. And would not further delay on the part of Congress in the favorable enactment of this legislation subject us to severe criticism?

Mr. VINSON of Georgia. Absolutely. I trust this bill will pass before 5 o'clock this evening.

Mr. DOUGHTON. I thank the gentleman for his contribution.

In the consideration of this bill these tasks have faced us constantly.

We do not say that we have produced a short, simple statute that anyone can read and understand. Nor do we deny that a better one cannot be produced.

What we do say is this: We have been conscious of the magnitude of the job facing us, we are genuinely aware of the difficulty which it entails. We know, in short, that there is no simple solution to a problem which is itself so complex, so involved, and so intricate.

And for those who ask why did you not do it sooner and why did you not do it more simply, we say that you can no more hope to tax American corporate enterprise by any simple formula conceived without thought, labor, and time than you can expect to build a skyscraper in a day and a half with a shovel and a few wheelbarrows of turf and dirt.

The bill suspends the profit-limitation provisions of the Vinson-Trammell Act. These provisions apply only to manufacturers of Army and Navy aircraft and manufacturers of naval vessels. While removing the profits limitations applicable to these particular contractors, we have substituted therefore a general excess-profits tax applying not only to the incomes of munitions contractors but to all corporate incomes from every source.

The bill also allows special amortization with respect to additional facilities necessary in the production of articles essential to our national defense. This special amortization is no more than an acceleration of the depreciation allowed under provisions of existing law. Every purchaser of commodities pays in one way or another for the plant and equipment necessary to the production of those commodities. In this respect, it is not of great importance whether the Government in purchasing war materials pays for the plant and facilities necessary in their production in a lump sum or whether such payment is reflected in the price of the materials purchased. The use of the special amortization provision is limited to those facilities which are certified by the advisory commission to the Council of National Defense and the Secretary of War or the Secretary of the Navy as the case may be, as being necessary in the interest of national defense. These plants and facilities are erected for a special purpose, namely, the production of war materials. When the emergency is over, they will, in the main, be useless. For this reason, the bill permits a very rapid depreciation of the cost of such facilities. Assuming that the emergency will be over in 5 years, the bill permits a complete write-off of this cost within the 5-year period.

The bill also provides the excess-profits tax. As I have said before, this tax is of general application, not limited to war contractors nor any other specified type of corporate activity. It is estimated that it will raise additional revenue of more than $300,000,000 for the calendar year 1940 and more than $700,000,000 for the years in which the defense program is fully operative.

The bill measures excess profits by two alternative methods, the use of which in almost every case is at the election of the taxpayer. Realizing the complications involved in measuring excess profits by use of the invested capital of a corporation, we believe that taxpayers should be given an opportunity to compute their tax by another method if they so desire. The bill provides that corporations may compute their excess profits on the basis of the excess of their income for the taxable year over the income for the base period, which is the years 1936 to 1939, inclusive. While corporations which select this method are required to pay an additional tax on their normal tax net income, for this privilege I am certain that this allowance will result in making the tax more equitable among taxpayers and less harsh in a great many cases.

If this method alone were permitted, it might work hardships in a great many cases; therefore, the bill provides an alternative method which is based upon invested capital.

In any case, corporations are not required to pay any tax under this bill with respect to their earnings which do not exceed 7 percent of the first $500,000 of their invested capital and 5 percent on their invested capital in excess of $500,000. In addition, corporations with excess-profits net incomes not greater than the specific exemption of $5,000 are not only not required to pay any tax but do not even have to file returns. Of the almost 500,000 corporations in the United States, it is estimated that this bill will not subject more than 50,000 to the excess-profits tax. Small corporations which do not have excessive earnings are thus taxed at a very low rate or not at all.

Mr. ALEXANDER. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. ALEXANDER. I have a telegram here from the publisher of the Minneapolis Tribune, one of the large papers in the northwestern section of the country, in which he says that the proposed excess-profits tax based on average earnings over the years 1936 to 1939 will drive the paper mills out of Minnesota. As I understand it, we import into this country about 76 percent of our paper pulp needs. We are trying to build an industry in Minnesota.

Mr. DOUGHTON. What facts or what evidence does he submit along with that assertion?

Mr. ALEXANDER. He says that either the years preceding 1938 should be left out of the plan or the return should be permitted on the assets. Unless this is done, there is great danger that the paper mills will be driven out of Minnesota.

Mr. DOUGHTON. Where would they go?

Mr. ALEXANDER. They would go to Scandinavia, to Canada, to Russia.

Mr. DOUGHTON. Where would they go to manufacture paper?

Mr. ALEXANDER. They would go out of business; that is where they would go.

Mr. DOUGHTON. Does the gentleman really believe they would go to Russia?

Mr. ALEXANDER. They would go to foreign countries.

Mr. DOUGHTON. It is easy, of course, for anyone who knows nothing about the provisions of this bill to criticize it; there is not any doubt about that. While there possibly will be some inequalities in this bill, I am sure there is nothing in it that will put any legitimate industry out of business. I am sure this will be testified to by every member of our committee.

The CHAIRMAN. The Chair neglected to inquire how much time the gentleman from North Carolina yielded himself. The gentleman has now consumed 20 minutes.

Mr. DOUGHTON. Mr. Chairman, I yield myself 5 additional minutes.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield for a question?

Mr. DOUGHTON. I yield to the gentleman from Michigan.

Mr. CRAWFORD. In title II, the amortization deductions, why was the date July 10, 1940, selected? And, secondly, is the door absolutely closed to those who built specific defense facilities prior to July 10, but, of course, did not have a certificate? And is there any way they can get any relief whatsoever?

Mr. DOUGHTON. I do not know that there would be any way in which they could get special relief. The gentleman understands, of course, there had to be some arbitrary date fixed from which to begin the operation of this law and it was felt that July 10 was the fairest date, that representing the time when the matter was first brought to the attention of Congress, and a time when no industry had any reason to feel there would be an excess-profits tax imposed upon them. What preparation and expenditures they made was, of course, at their own risk.

Mr. CRAWFORD. This case I refer to is a case where the company, based on defense orders placed by the Federal Government, did expand its facilities 25 percent by a clear-cut 25-percent addition to the plant. As I read this language that company is absolutely barred from any relief under title II.

Mr. COOPER. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Tennessee.

Mr. COOPER. The reason the date July 10 was selected as the date, as indicated by the chairman of the Committee on Ways and Means, is because that is the date the statement was given out from the White House that as a result of a conference there held, attended by Mr. Knudsen of the National Defense Council and others, this program would be recommended. I also invite the gentleman's attention to the fact that if the facilities are completed after July 10, why they come under this provision.

Mr. CRAWFORD. If they can obtain their certificate?

Mr. COOPER. If a certificate is issued.

Mr. DOUGHTON. Mr. Chairman, I will only take a short time further and then I shall yield to the gentleman from Tennessee [Mr. COOPER], who had more to do with the preparation of this bill and perhaps understands it more fully than anyone else. If this bill becomes law in its present shape or form, I am sure that no taxpayer in the United States will have reason to complain.

We have done all that the Congress can do at this time. It will remove certain difficulties in the way of carrying forward our national-defense program. I am sure the American people are willing and anxious that this program go forward. That is a question on which the people seem to be united, and I hope they will be as united and as enthusiastic in paying the bills and helping support the expenses necessary for the national-defense program as they are united and enthusiastic for the program itself.

This tax is going to place upon the American people an additional tax burden of substantial proportions. I am convinced that they want a thoroughly adequate defense program. Now we shall see whether they are willing to pay for it.

An additional test will be placed upon our patriotism. If we properly value our heritage, our liberty, our freedom, I am convinced we will pay gladly this or any other reasonable tax which we may impose upon ourselves.

Mr. Chairman, I ask unanimous consent to revise and extend my own remarks in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

Mr. CROWTHER. Mr. Chairman, I ask unanimous consent that the gentleman from Massachusetts [Mr. TREADWAY], who is indisposed, may be permitted to extend his remarks in the RECORD at this point in reference to the pending bill.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. CROWTHER]?

There was no objection.

Mr. TREADWAY. Mr. Chairman, during the consideration of the defense tax bill last June, the Republican minority of the Ways and Means Committee offered two motions which formed the basis of the pending measure. In the first place, we proposed that the Treasury Department be instructed to prepare and report back to Congress a plan of excess-profits taxation designed to prevent the creation of any new "war millionaires" as a result of the huge expenditures contemplated under the national-defense program. Secondly, we offered an amendment to the then pending defense tax bill providing for a 5-year amortization plan in connection with new plants and facilities constructed for the purpose of furnishing defense equipment.

The committee accepted our first proposal, and a paragraph was written into the committee report on the defense tax bill directing the Treasury to submit an excess-profits plan not later than the next session of Congress, whether a regular or special session. This direction was subsequently modified by the conference committee so as to require the submission of the plan not later than October 1.

With regard to the question of amortization, the Treasury Department, while not opposing our proposal, insisted that it should not be enacted except in connection with an excess-profits tax. Accordingly, the committee directed the Treasury to include the question of amortization in its studies. I shall insert in the RECORD at this point, without reading, the paragraph from the committee report on the defense tax bill above referred to, and also the resolution of the conferees.

The matter referred to is as follows:

EXTRACT FROM REPORT OF HOUSE WAYS AND MEANS COMMITTEE ON DEFENSE TAX BILL OF 1940

During the executive sessions there have been discussed proposals to provide special amortization for national-defense industries and to provide for the imposition of excess-profits taxes. These two measures—each in itself requiring a complicated and exhaustive legislative project—must be considered together. It is the desire of this committee, which is favorably reporting a bill which will enable a larger proportion of our citizens to participate in the responsibility of providing an adequate national defense than has ever been the case before, that there shall not be an opportunity for the creation of new war millionaires or the further substantial enrichment of already wealthy persons because of the rearmament program. Accordingly, we have instructed our technical assistants and the appropriate Treasury officials to accelerate their work in these two fields so that bills will be prepared for submission not later than the opening of the next session of Congress which, if passed by the Congress, may become retroactive and apply to income earned during the calendar year of 1940, or may become effective upon any other date which Congress, in the light of information it then possesses, may deem advisable.

RESOLUTION ADOPTED BY HOUSE AND SENATE CONFEREES ON DEFENSE TAX BILL OF 1940

Resolved by the committee of conferees on H. R. 10039, That the committee is firmly of the opinion that an excess-profits tax should be enacted as soon as possible and should be made applicable to the calendar year 1940, and all taxable years beginning in 1940 and

to all subsequent years. In pursuance of this policy the Treasury Department is urgently requested to submit to the Ways and Means Committee of the House and to the Finance Committee of the Senate not later than October 1, 1940, a plan for such tax, together with supporting data and drafts for proposed legislation.

At the time these directions were given, the committee was told by the Treasury Department that it would take at least 2 months to prepare a bill. Mr. Beaman, our legislative counsel, stated that the committee would have to consider and decide some 300 policy questions before he could draft the measure. The committee thus clearly realized that it would be impossible to write an excess-profits bill overnight. If the situation then existing had not been disturbed, we would undoubtedly have had a much better bill than is now presented. However, on July 1, the date the defense-tax increases went into effect, the President submitted a message to Congress urging the prompt enactment of an excess-profits tax. This meant that the Treasury and the staff of the Joint Committee on Taxation had to forget all about drafting a carefully considered excess-profits tax plan and hastily throw something together. As a consequence, we have the pending hodge-podge bill.

At the outset of my remarks, I should like to say just a few words with regard to the amortization question. It is recognized, of course, that the principal factor in holding up contracts for the production of defense equipment has been the uncertainty as to whether corporations would be permitted to recover, during the emergency period, the cost of new plant facilities necessitated by the expanded defense program, which would be of no use to them in their normal peacetime activities. If the Treasury had not insisted upon this question being tied up with the matter of an excess-profits tax, which everyone recognized would take considerable time to draft, we would not have had the present "log jam" in getting the defense program under way. Moreover, there is no doubt in my own mind but what the Treasury, if it so desired, could have solved the problem of amortization without any legislation whatsoever. The law has always provided that taxpayers shall have as a deduction in computing their tax a reasonable allowance for depreciation, wear and tear, and obsolescence of property used in the trade or business. In administering this law, the Treasury permits the amortization or depreciation of the property over its useful life. The useful life of a plant or of machinery devoted exclusively to the production of defense equipment would, in my opinion, be the period of the emergency. Thus it seems to me that on either count I have mentioned, the responsibility for the delay in getting the defense program under way rests upon the Treasury and not upon the Congress. If the Treasury had either used its existing authority, or had not opposed the enactment of the amortization provisions as a separate measure, the defense program would be much further along than at present.

While it was the intention of the Republican minority to follow up the amortization allowance with an excess-profits tax, there was no reason why the consideration of the latter could not have been deferred long enough to give it adequate study. In the situation we are now in, we have had to write the excess-profits tax "under duress," so to speak, in order to enact the two propositions together at the earliest possible date. I am sure that we could have brought forth a much better excess-profits tax bill if we could have considered it separately and without the pressure we have had on us to hastily draft something and get it on the statute books. Congress could have enacted an excess-profits tax as late as next year and made it applicable to the present taxable year. It will be recalled that the War Revenue Act of 1918 was not enacted until February 24, 1919.

It is not my purpose to enter into any detailed discussion of the pending measure. It is not perfect, by any means. I feel that it could be much improved. In some respects, it is a much better bill than was originally recommended by the tax subcommittee, particularly as regards the treatment of corporations which have had very low earnings during the base period which is to be used as a "yardstick" in measuring excess profits. I should have preferred to have seen the exemption under the invested capital alternative increased to a flat 8 or 10 percent such as was provided under prior excess-profits measures and under the so-called La Follette amendment to the defense-tax bill, which was eliminated in conference. As the bill now stands, corporations which have had poor base-period earnings will pay a relatively higher excess-profits tax than those which have had good earnings in past years. They will be forced to pay an excess-profits tax on profits which in some cases are not excess, but merely normal or subnormal.

In order to tax excess profits, it is, of course, necessary to define the term. Under the bill, such profits are regarded as the increased earnings over the average of the base period 1936 to 1939, inclusive.

In the case of corporations which have been earning less than 7 percent on the first $500,000 of their invested capital and 5 percent on the excess over that amount, they are given a minimum exemption of these amounts, in addition to the specific credit of $5,000. Those which have been earning up to 10 percent may continue to earn that same percentage of invested capital free of excess-profits tax, but the maximum allowance under this method is 10 percent.

Corporations may, if they choose, adopt the so-called average-income method of computing their tax, and simply pay excess-profits tax on their increased income over the average of their base period, irrespective of the percentage of return on their invested capital. This alternative will be resorted to by those corporations which have had relatively good base years. However, they will be obliged to pay an excess-profits tax ranging from 25 to 50 percent, instead of from 20 to 45 percent as in the case of corporations electing the so-called invested-capital alternative. In addition, they will be obliged to pay 4.1 percent more normal tax on their entire net income. The effect of these two penalties on corporations availing themselves of the average-income alternative will be to force many of them to adopt the other method of computing their tax, which, of course, will be less beneficial to them.

As originally recommended by the tax subcommittee, the bill would have produced $190,000,000 of revenue the first year, and probably in the neighborhood of $500,000,000 annually thereafter. However, it developed at the hearings that this plan would have placed practically the whole burden of the tax on those corporations which were least able to pay, which were those which had had losses or very poor earnings in the base period. The committee realized that modifications would have to be made to take care of that situation. Some such modifications have been made, including several suggested by the Republican minority. However, the committee has wound up with a bill that will now produce upwards of $300,000,000 the first year, and from $500,000,000 to $1,000,000,000 thereafter. It has granted a small measure of relief to those corporations which most needed it, and put an additional burden on those which have had somewhat higher base earnings. The effect of that additional burden has not yet been fully explained to the committee.

The Republican minority is entitled to take credit for having been instrumental in securing at least two changes which relieve the so-called little fellow and the hard luck corporation from some of the burden which otherwise would have been unjustly placed upon them, namely, the increase in the minimum percentage of allowable return under the invested-capital alternative, and secondly, the elimination of the subcommittee's recommendation that corporations with impaired capital be required to reduce the amount of their invested capital to the extent of their operating losses. The latter provision was particularly unjust, since it would have put a greatly increased burden on the business which had been operating at a loss.

One reason I have not gone into any detailed discussion of the bill is that I do not feel qualified to do so. We had to take the bill pretty much on faith, as presented to us by the

drafting experts. The provisions relating to corporate reorganizations, covering some 40 pages, have not even been read in the committee. We were simply told what the provisions attempted to do, and were assured that they accomplished that purpose. This bill may serve to prevent the creation of any millionaires out of the defense expenditures, but unless I miss my guess it will result in creating some new millionaires among the lawyers and accountants who may regard themselves as competent to advise taxpayers how to make out their returns under this bill. I doubt even if many lawyers will be able to qualify as experts on the reorganization provisions.

Following is an example of the type of language with which taxpayers will be confronted in trying to understand the bill:

SEC. 759. * * *

(b) Preferential rate amount of transferee:

(1) Taxable year of exchange in case of control: In the case of a transfeee upon an exchange after the beginning of the first taxable year under this subchapter of a transferor upon such exchange the transferee's preferential rate amount for the taxable year in which the exchange takes place shall be the sum of—

(A) Its preferential rate amount immediately preceding the exchange or its invested capital (computed as if the taxable year closed on the day preceding the day of the exchange), whichever is the smaller, multiplied by the number of days in the taxable year up to and including the day of the exchange plus

(B) Its preferential rate amount for the taxable year after the exchange multiplied by the number of days in the taxable year remaining after the day of exchange,

divided by the number of days in the taxable year. For the purposes of this paragraph and subsection (c) of this section "exchange" includes a liquidation described in paragraph (5) of this subsection, and such exchange shall be deemed to have taken place on the day such liquidation was completed.

Whatever bill may be enacted at this time, I feel sure that modifications will have to be made at the next session of Congress. All that can be said in defense of the present bill is that it is the best that could be obtained at the present time under all the circumstances. I shall vote for the bill, because it is necessary that the three main provisions—amortization, suspension of the Vinson-Trammell Act, and excess-profits taxation—be enacted at the earliest possible moment in order that the defense program may get under way. However, I feel that the Ways and Means Committee should not consider its job done when this bill becomes a law. It should immediately give further consideration to the subject with a view to working out an improved plan of excess-profits taxation for presentation at the next session.

We should by all means have an excess-profits tax, but it should be geared to effectively reach all profits which are in fact "excess," and it should not subject to an excess-profits tax profits which are only normal or subnormal. It is, in my opinion, a mistake to use an excess-profits tax as a means of raising a given amount of revenue. As has been well said, under the ideal situation such a tax, if it were truly effective in preventing excess profits, would produce no revenue at all. While we need all the revenue we can raise not only to finance national defense but to pay our ordinary operating costs, we should raise it in a forthright manner in accordance with sound principles of taxation. The proper way to write an excess-profits tax bill is to set up a fair and equitable base, with such rates as may be considered just, and then let it produce whatever revenue it will, which may be much or little, depending upon whether excess profits are in fact being made. The pending bill has not been written on this basis, which accounts largely for its imperfection.

Under the special rule by which the bill is being considered, we must either accept the bill in its present form or reject it. For the reasons stated, I shall vote for its passage, but in closing I again want to urge the need for more thorough consideration of this whole matter, so that the imperfections which are so apparent in the present bill may be corrected.

Mr. DOUGHTON. Mr. Chairman, I yield 25 minutes to the gentleman from Tennessee [Mr. COOPER]. [Applause.]

Mr. COOPER. Mr. Chairman, I desire to join with the chairman of the Committee on Ways and Means in expressing appreciation to the minority members of the subcommittee of which I have the honor to be chairman, as well as the members of the full Committee on Ways and Means, for the splendid spirit of cooperation that has been shown throughout the consideration of this important measure. All of the deliberations of the subcommittee and the full committee have been entirely free of any spirit of partisanship and only the highest patriotic motives characterized the attitude of all members of the committee.

As a result of that fine effort of cooperation, this bill comes before the House today with the unanimous approval of all members of the Ways and Means Committee, not only so far as the bill itself is concerned, but on every item in the bill. There was not a division on a single provision included in this bill.

Mr. Chairman, three important measures now pending in the Congress are of vital importance to our national-defense program. One is the compulsory military training bill, which passed the Senate last night after several weeks of consideration there. That measure will provide the manpower necessary for the defense of this country. The second is the appropriation bill which has passed the House and is now pending in the Senate to provide the money to pay for this, and the third is the pending bill, H. R. 10413, providing for the necessary material and equipment essential for the national-defense program.

It will be appreciated if I may be permitted to proceed briefly in explanation of the bill without being interrupted, and then I shall be glad to follow my usual custom of yielding for any question that may be asked, and I shall endeavor to give the best information I can with respect to this bill.

As has been indicated by those who have preceded me, there are three subjects covered by this bill. First is that of amortization. It is provided here that for new plants, plant expansion, and equipment that may be certified by the Advisory Commission to the National Defense Council and the War Department or Navy Department, as the case may be, as being necessary for national defense, the cost of these facilities may be amortized over a period of 5 years. That means 20 percent a year amortization that may be taken on these facilities that are certified as being necessary for national defense.

It is also provided that a taxpayer may continue, if he prefers, to take the ordinary depreciation as is now provided under the law and later, if the emergency ends within the 5-year period, and if he decides that he prefers to take this special amortization, he has the right to do so.

It is also provided that if the emergency should end by a proclamation of the President of the United States, or if the Secretary of War or the Secretary of the Navy certifies that this particular facility is no longer needed for national defense, thereby terminating the period in less time than 5 years, the taxpayer then has the right to go back and have the amortization given him over the period of time that the emergency does exist. As an illustration, if the emergency ends in 3 years instead of the 5 years as is contemplated, instead of taking 20 percent for 5 years he may take 33⅓ percent for 3 years.

The second provision is with respect to the Vinson-Trammell Act. The bill provides for the suspension of the Vinson-Trammell Act and other laws relating to that for such time as the excess-profits tax is in effect. It will be remembered that under the Vinson-Trammell Act profits are definitely limited. There is permitted only 10 percent of the contract price as a profit for naval vessels and 12 percent of the contract price for aircraft for the Army and Navy, and for parts. Subsequent legislation has further reduced that limitation, and it now stands at 8 percent and 7 percent.

As has been indicated by those who preceded me, information has been presented to the Committee on Ways and Means by responsible officials of the Government—the Secretary of War, the Secretary of the Navy, Mr. Knudsen, head of the Advisory Commission to the National Defense Council, and others—that contractors are hesitating in entering into contracts because of these restrictions and limitations that are imposed, not so much, they say, because of the exact amount involved, but especially because of the enormous amount of

bookkeeping and record keeping they have to go through in order to comply with the law.

An illustration was given. Say one company has a contract to furnish only $25,000 worth of material of some kind. It is manufacturing a large quantity of that same product, and all the rest of it goes into the ordinary channels of trade. Yet for that particular $25,000 worth that may find its way into a naval vessel or into aircraft it has to keep all these records and books so as to be sure it does not violate the provisions of the Vinson-Trammell Act or the other acts limiting the profit.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. The gentleman should no doubt call the attention of the House to the fact that there is so much competition—and the Vinson-Trammell Act relates only to aircraft for the Army and the Navy, and warships—that the subcontractors can get other business and therefore are not anxious to get business falling under the provisions of the Vinson-Trammell Act.

Mr. COOPER. That is true, and I was going to point that out. It will be remembered that the Vinson-Trammell Act applies only to two items. One is naval vessels, and the other is aircraft. Under this defense program we have a vast number of other things that are being provided, tanks, trucks, guns, munitions, and all the other things that are necessary for national defense. Therefore, the limitation under the Vinson-Trammell Act applies only to two items, naval vessels and aircraft. By suspending that and applying the excess-profits tax, profit-limiting rules are made to apply to everybody alike, and for all types of equipment and material that may be found necessary for national defense.

Mr. COLE of New York. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from New York.

Mr. COLE of New York. Further, the Vinson-Trammell Act applies only to naval aircraft, and there is no profit limitation on Army aircraft.

Mr. VINSON of Georgia. Yes, there is.

Mr. COOPER. It applies to both. My recollection is that it applies to both Army and Navy aircraft, and parts.

Mr. VINSON of Georgia. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Georgia.

Mr. VINSON of Georgia. I have in my hand a statement from the Bureau of Aeronautics indicating that they tried to offer the large aviation companies contracts involving over a thousand airplanes. The corporations are willing to take the contracts. They are not concerned about the profit. However, the subcontractors are unwilling to take the contracts, as the gentleman from Tennessee has just pointed out, on account of the bookkeeping required under the Vinson-Trammell Act.

I wish to take this opportunity to congratulate the Committee on Ways and Means for breaking the bottleneck and cutting the red tape and bringing a bill in here that will enable industry to do its part in preparing this country.

Mr. COOPER. Of course, this provision applies to contractors and subcontractors alike.

Mr. COLE of Maryland. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Maryland.

Mr. COLE of Maryland. I am glad the committee has recommended at least the suspension of the provisions of the Vinson-Trammell Act, but in view of the reasons assigned for so doing, as so clearly presented by the distinguished gentleman from Tennessee, now occupying the Well, and whose work as chairman of the subcommittee in charge of this legislation, is so outstanding, I wonder why the committee did not recommend the outright repeal of the act? That is what I have thought might, in the interest of fairness to all, be done.

Mr. COOPER. Yes; the committee gave consideration to that, but certainly we would not feel disposed to recommend the outright repeal of it because we believe it should be suspended as long as we have an excess-profits tax. I do not believe any of us would want to take the position that we should just take the bridle off and let munitions makers and people engaged in supplying materials for national defense make all the profit they want to make, and just go their way rejoicing, without having any limitations imposed at all. However, we did feel that, inasmuch as you have a limitation under the provision of an excess-profits tax, it was not necessary to have two limitations for the same purpose.

Mr. MAAS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Minnesota.

Mr. MAAS. Is the gentleman familiar with the fact that since the enactment of the Vinson-Trammell Act the costs to the Navy have gone up tremendously, because it has narrowed competition very materially? The smaller concerns have virtually been precluded from bidding on Navy business. There is no question involved of permitting unbridled profits if you repeal the Vinson-Trammell restriction outright, because you have plenty of check on them through your general taxes. If they make any excess, you take it away, anyway, even outside of your excess-profits tax.

Mr. COOPER. No; you do not, either.

Mr. MAAS. I should like to speak toward the outright repeal of the Vinson-Trammell restriction.

Mr. COOPER. I may say I cannot yield any further on that, but for my part I cannot support an outright repeal of the Vinson-Trammell Act. I am willing to suspend it for such time as we have this excess-profits tax.

Mr. CARLSON. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Kansas.

Mr. CARLSON. The gentleman from Tennessee does not believe that repealing the Vinson-Trammell profit-limit feature will be overcome by the excess-profits tax?

Mr. COOPER. No; it will not, completely.

Now, if I may, I should like to proceed with a brief discussion of the excess-profits tax as provided in this bill.

There are only two principles upon which an excess-profits tax can be based. One is that of average earnings of the business, and the other is the invested capital of the business. This bill applies only to corporations. The bill embraces both of these principles; that is, the average earnings and the invested capital. A base period is provided embracing the years 1936, 1937, 1938, and 1939. The same base period applies to both plans provided under the bill; that is, the average-earnings plan and the invested-capital plan. The taxpayer who has a full base period has the right to exercise his option as to which one of these two plans he wants to use.

It is also provided that a specific exemption of $5,000 is given to all corporations under both plans. I might give a brief illustration to show the effect of this $5,000 specific exemption. Take, for instance, a corporation with $50,000 capital. That means $5,000 is 10 percent of the $50,000, and therefore there is 10 percent of that amount that is exempt.

The bill also provides for the first 7 percent—that is, 7 percent of the first $500,000 of invested capital—to be exempt. So, in effect, the $50,000 corporation would have an exemption of 17 percent before there would be any application of the excess-profits tax. This is designed especially to benefit and assist small corporations, and we believe it will be effective in that respect.

Out of 478,000 active corporations in this country, the estimate is given the Committee on Ways and Means that only 70,000 of those will have to pay any excess-profits tax.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. HINSHAW. I brought up a question to one of the members of the gentleman's committee a while ago concerning a partnership which had become a corporation within the year, a profitable partnership and a profitable corporation——

Mr. COOPER. I get the gentleman's question. There is no provision made for that, for the obvious reason that a partnership has paid taxes throughout the years on an entirely different basis from that on which corporations

pay. You just cannot fit a partnership into the same type of structure that you can fit a corporation.

Mr. HINSHAW. The reason I brought up the question was because, having organized themselves into a corporation within the year——

Mr. COOPER. I hope the gentleman will not take any more of my time on that question, as I have tried to answer the gentleman's question.

Mr. HINSHAW. No consideration has been given to that, then?

Mr. COOPER. Yes; we considered every phase of it.

Mr. HINSHAW. But it has not been taken care of in the case of a business——

Mr. COOPER. A business that has gone along as a partnership and has now been incorporated is what the gentleman refers to and I presume what the gentleman has in mind is whether or not their experience as a partnership has been taken into consideration here.

Mr. HINSHAW. Exactly.

Mr. COOPER. That has not been done.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. DISNEY. The gentleman may be coming to it, but it seems this is an opportune time to call attention to the fact that a benefit particularly to the small corporations is their deficits are not deducted when their invested capital is being considered.

Mr. COOPER. That is correct.

Carefully prepared provisions are included in the bill to maintain a proper balance between corporations selecting these two plans. That was an extremely difficult matter to work out, and a carefully prepared schedule of rates is provided to make the excess-profits tax as fair and equitable to all corporations as is possible under the circumstances. I might give you an illustration to show how that would work. Take, for instance, a corporation that has been in existence for a number of years, has been having splendid profits throughout that time, perhaps has been making 30 or 40 or 50 percent during the base period, and therefore if it could take the average-earnings plan alone, it would pay no tax, and yet it may be in competition with a new corporation or a corporation that has a deficit or a low-earning record, which may be producing the same products or the same commodity, and this new corporation having to take the invested-capital plan would be cut off at 10 percent—all above the 10 percent would have to pay the excess-profits tax—whereas its competitor, more fortunately situated, that had been earning 30 or 40 or 50 percent throughout the base period, would not have to pay any tax at all. Therefore, in order to maintain a proper degree of balance between the two plans, the committee has worked out and rather carefully prepared two schedules of rates that apply to the two plans.

In addition to that, the bill provides that if a corporation elects to take the average-earnings plan, it is required to pay as a part of its excess-profits tax an amount equal to 4.1 percent of its normal tax net income in order to be permitted to take that plan.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. VOORHIS of California. I recognize, of course, that the committee has made an effort to equalize the differences between these two plans, but still there is no top limit, is there, to the amount of earnings that the corporation can have had in the base period if it chooses the average-earnings plan? In other words, its percentage of earnings to capital in the base period may have been very high indeed, and still be counted as excess-profits-tax credit; and my question is whether the gentleman honestly thinks that the so-called penalty tax that is provided there is sufficient in the case of some of the corporations which in that base period made very large earnings.

Mr. COOPER. I understand the gentleman's question. It is entirely possible that even the plan that we have worked out here and the balance that we have tried to maintain may not be sufficient to be absolutely perfect, but bear in mind a corporation that selects the average earnings base is first required to pay 4.1 percent of its net income—the basis of its normal corporation tax. In addition to that, the schedule of rates applicable to the corporation taking the average earnings base pays 5 percent more excess-profits tax than the corporation under the invested-capital plan.

Mr. VOORHIS of California. I know. I would like to say to the gentleman that I figured for a specific corporation——

Mr. COOPER. I hope the gentleman will not detain me long enough to cite specific cases, because any number of illustrations could be given.

Mr. VOORHIS of California. It would pay five times as much under the average-earnings plan as under the invested-capital plan.

Mr. COOPER. Any number of illustrations could be given. You might conceive a situation where a great discrepancy would obtain, but your committee, after giving 4 weeks of intensive study, day and night, and devoting a considerable part of its time even before that, worked out this plan as the very best we can present to the House.

Mr. CROWTHER. Will the gentleman yield?

Mr. COOPER. I yield.

Mr. CROWTHER. Is it not a fact that if they have had these high earnings they are now paying under the existing law an excess-profits tax, which is still in the law, in addition to this excess-profits tax which we have now?

Mr. COOPER. That is true, if their earnings have been excessive in comparison with their capital stock. The excess-profits tax, as contained in the law now, is provided for the purpose of protecting the capital-stock tax. Of course, if their profits have been excessive in comparison with their capital stock, they have been paying that excess-profits tax.

Mr. CROWTHER. That is, if it is declared value?

Mr. COOPER. Yes.

Mr. VOORHIS of California. The existing excess-profits tax is not a very substantial tax, though, is it? As the gentleman from Tennessee has said, it is merely for the purpose of protecting the capital-stock tax.

Mr. COOPER. Now, let me give you a brief illustration as to the way the average-earnings plan works. Assume that a corporation has made $50,000. That is, has an average of $50,000 for the years in the base period of 4 years. In the taxable year 1940 the corporation has $65,000 income. Now, you take the $50,000 which was its average over the base period from the $65,000 for the taxable year and that leaves $15,000. Then you take $5,000 specific exemption from that, and that leaves $10,000, to which the rates applicable to the average-earnings plan would be applied.

The invested-capital plan applies to the same base period of 4 years. The average invested capital over the base period is the basis for the credit. On the first $500,000 of invested capital 7 percent is exempt. All over $500,000, 5 percent is exempt. In other words, a corporation is allowed to make whatever it did make during the base period up to 10 percent. As an illustration, if a corporation made 7 percent throughout the base period on its invested capital, it is still allowed to make 7 percent on its current invested capital. If it made 8 percent, it is still allowed to make 8 percent; 9 percent, it is still allowed to make 9 percent; 10 percent, it is still allowed to make it. Now, if it makes 11 percent, that extra 1 percent would have to pay the excess-profits tax.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. COOPER. Now, if I may proceed for a moment, as I endeavored to explain a few moments ago it was apparent that was a definite advantage given to a corporation that could use the average-earnings plan as against the corporation that had to use the invested-capital plan. Therefore, this rate structure was constructed for the purpose of taking care of that situation. As I have also explained, the corporation selecting the average-earnings plan is required to

pay an additional 4.1 percent of its normal tax net income. Then, in addition to that, the rate schedule applies as provided in the bill.

The amount of excess profits, under the average-earnings method, for the first $20,000 the rate is 25 percent. Under the invested-capital method it is 20 percent. For the next $30,000, under the average-earnings method, it is 30 percent. Under the invested capital method it is 25 percent.

The next $50,000, under the average-earnings method, it is 35 percent. Under the invested-capital method it is 30 percent.

The next $150,000, under the average-earnings method, it is 40 percent; under the invested-capital method it is 35 percent.

The next $250,000, under the average-earnings method, it is 45 percent; under the invested-capital method it is 40 percent.

All over $500,000, under the average-earnings method, it is 50 percent, and under the invested-capital method it is 45 percent.

Corporations, under the average-earnings plan, are allowed 8 percent of their new capital, and are allowed 6 percent of their reductions in capital. New capital is capital coming in after the beginning of the taxable period. Under the invested-capital plan, 10 percent up to $500,000, and 8 percent above $500,000 of new capital is allowed.

One other important matter that doubtless many Members may be interested in, and many questions have been asked concerning, is with respect to borrowed capital.

We have worked out a provision with respect to borrowed capital that provides that for the amount of borrowed capital which added to the equity capital does not exceed $100,000, the corporation is allowed to take 100 percent. To illustrate, let us assume that a corporation has $50,000 of equity capital and borrows $50,000, the total amount thereby being $100,000: They are allowed 100 percent of the borrowed capital in determining invested capital. For so much of the borrowed capital added to the equity capital as does not exceed $1,000,000 they are allowed 66⅔ percent. Over $1,000,000 they are allowed 33⅓ percent. This gives an idea of the amount of borrowed capital in relation to equity capital that may be included.

As has been pointed out by others, your committee has made an honest effort to work out a most difficult and complex problem in the very best manner it could under the circumstances. We believe it is fair to state that we have brought you a bill that will work as great a degree of equity and fairness to all the corporations of the country as is possible, and that it maintains a proper degree of balance between those who use the average-earning method and those who use the invested-capital method so that the greatest degree of fairness will result to all of them.

Mr. CRAWFORD. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. CRAWFORD. Referring to the language in line 15, page 88, under the amortization provision, "or acquisition." Suppose Corporation A built, completed, completely built a defense addition to the plant prior to July 10, 1940, and subsequent to July 10, 1940, transferred title to the plant to Corporation B, a real-estate holding concern, we will say. Then if Corporation B can obtain a certificate, that plant might be subject to the amortization provision?

Mr. COOPER. The gentleman is correct.

Mr. JOHNS. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. JOHNS. What would be the situation of a corporation which was capitalized we will say at $3,000,000 in 1932, which had losses in 1932, 1933, and 1934; that as a result of these losses its capital was impaired we will say to the extent of $1,000,000, so that its capital was reduced to $2,000,000; that its earnings during the remainder of the time were approximately the same as they were prior to the reduction in capital: Would not this bill be pretty hard on such corporation?

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from Tennessee. He has been interrupted by several Members on our side of the aisle.

Mr. COOPER. I thank the gentleman.

Answering the gentleman from Wisconsin, I am unable, of course, to give the gentleman a definite answer without having all the factors before me, but my impression is that it would not.

Mr. JOHNS. That it would not be?

Mr. COOPER. That it would not be.

Mr. MILLER. Mr. Chairman, will the gentleman answer a question?

Mr. COOPER. With pleasure.

Mr. MILLER. Assuming a corporation received $1,000,000 from a foreign government for plant expansion, I take it they would not be entitled to amortization. My question is: Would that be considered the same as borrowed capital, or where would it come into the tax structure?

Mr. COOPER. That would not come under the amortization provision. The question there is one of whether the amount paid by the foreign government was an addition to income or an addition to capital. That depends upon the nature of the transaction.

Mr. MILLER. Would it be considered borrowed capital? I am trying to figure where that would come into the tax structure. There are cases like that.

Mr. COOPER. I would have to have more details to be able intelligently to answer the gentleman, but certainly it would not come under the amortization provision.

Mr. MILLER. I had in mind cases where foreign countries have fully paid for plant expansions.

Mr. COOPER. They are not included under the amortization provision.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield for a question?

Mr. COOPER. Gladly.

Mr. VOORHIS of California. I wish to ask a question about the amortization feature. I understand perfectly, of course, the argument that when a corporation risks some of its money to build defense facilities they have got to know as nearly as possible where they stand, and I think this provision is sound; it is all right with me. But what happens to a corporation which instead of risking its own money borrows the money from one Federal agency, takes an order from another Federal agency, is paid for the goods by the second agency in an amount large enough to pay off the first agency's loan, is allowed to deduct interest on its loans from its income for tax purposes, and still get the amortization? Does the bill contain any provision to take care of such a situation? I cannot see why it should apply in such case where the only money has been Government money from beginning to end.

Mr. COOPER. There is a provision in the bill, of course, to the effect that where the Federal Government either directly or indirectly pays for the facility, at the end of the emergency the owner cannot dispose of that facility without the consent of the Secretary of War or the Secretary of the Navy.

Mr. VOORHIS of California. But it still belongs to him; is that correct?

Mr. COOPER. Yes; that is true.

Mr. VOORHIS of California. Even though the Federal Government has paid for it?

Mr. DUNCAN. He still owes the money to the Federal Government.

Mr. VOORHIS of California. But he has repaid it out of the orders he has got.

Mr. COOPER. It belongs to him. Title, of course, is in him, but he still owes the Government for it just as if he had borrowed the money from a bank.

Mr. JACOBSEN. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. JACOBSEN. There have been a good many suggestions and inquiries regarding the provision for average earnings. Is there any other basis than just dividing 4 years' profits by four?

Mr. COOPER. I am glad the gentleman asked that question, because perhaps a little further explanation should be given. In both the average-earning method and the invested-capital method I have endeavored to explain here, a corporation may take any 1 of those 4 years that it has a deficit year and count that as zero. If I may, I will give the gentleman an illustration. Take, for instance, a corporation that made $100,000 in 1936; it lost $100,000 in 1937, and it made $100,000 in 1938 and 1939. Of course, under an averaging method this $100,000 made in 1936 would be wiped out by the loss of 1937, so that we would have $200,000 divided by 4, or $50,000. The bill provides that a corporation shall count 1 deficit year out of the 4 at zero. You then have the other 3 left, and so you divide $300,000 by 4 and have $75,000 instead of the $50,000. Of course, if a corporation has more than 1 deficit year, it uses the year it has the largest deficit and counts that as zero and does include the other years at what they are, subtracting them from the total and dividing the result by 4.

Mr. COFFEE of Washington. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Washington.

Mr. COFFEE of Washington. In the case of the Boeing Airplane Works of Seattle, I have been advised by its president that during the years immediately preceding the emergency they expended a large amount of money seeking information and making laboratory tests on a heavy bomber, the flying fortress.

Mr. COOPER. I understand the gentleman's question, because they have been to see all of us.

Mr. COFFEE of Washington. I wanted to inquire about that.

Mr. COOPER. The gentleman will find that that is taken care of in the bill.

Mr. COFFEE of Washington. That is what I want to know.

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the World War, we were advised, created 22,000 millionaires. It is quite possible that these fortunes were not all acquired by those who were engaged in manufacturing war materials. Undoubtedly many of such huge fortunes were the result of stock-market ventures.

Nevertheless, the American people decided that if ever such conditions again developed that measures should be adopted to prevent such unjust enrichment.

Twenty-two years have passed since the enactment of the 1918 excess-profits tax, and we now realize the necessity of similar legislation. This measure before the House is designed to curb excess profits and in the process contribute some revenue to a sadly depleted Treasury. I refer to our Nation's financial problem at this time because the Secretary of the Treasury, who appeared as the first witness at the public hearings suggested that the debt limit which was raised four billions a few weeks ago in the defense revenue act of 1940 to a total of forty-nine billions would very soon have to be again raised to a new total of fifty-eight billions unless additional revenue was provided.

It is difficult to prophesy just how much revenue this bill will produce. The experts have been frank enough to acknowledge that their figures may be characterized as a guess rather than an estimate.

Having before them a very clear picture of what business is likely to do in 1940, their opinion as to the revenue to be received from this new source is fairly accurate. If it was possible for them to visualize what is to happen at home and abroad during the coming years they would no doubt be able to give us a fairly accurate estimate of revenue for those periods.

It is perhaps totally unnecessary to remind you that this bill will by no stretch of the imagination balance the Budget. That is not the purpose of this proposed legislation, but it will help materially, if the predictions as to future revenue are fulfilled.

Your committee had constantly in mind during the consideration of this bill the absolute necessity of encouraging our stable industries such as were not likely to benefit particularly from the acquisition of war contracts. We realized that our complete economy must be maintained at least at its normal level. Every effort was made to relieve the so-called hardship cases that were brought to our attention.

Difficult problems have arisen due to the fact that we have adopted an arbitrary period of 4 years, 1936, 1937, 1938, and 1939, which we designate as the base earning period. We have, however, given the taxpayers the right of election to use the percentage income as the base during the same period.

The 1918 act produced nearly $7,000,000,000 in revenue, but the litigation that followed in its wake resulted in tremendous refunds to the taxpayers. Just how much was refunded the Treasury reported it was unable to determine, and I presume the reason was that the refunds were tied up with refunds of normal income tax. That statement is my own analysis of the situation and I have no conclusive proof that it is correct.

Certainly we hope that there will be no repetition of the extensive litigation that followed the enactment of the previous act of 1918.

Except in cases of real emergency, I do not favor the policy of retroactive taxation.

This bill will measurably penalize every taxpaying corporation in the country for the year 1940, as will be manifested by their increased tax payments on March 15, 1941.

Many people are under the impression that an excess-profits tax applies only to those industrial organizations which are specifically engaged in the production of essential defense material and equipment.

To have the bill apply only to such corporations would be practically an impossibility. Government contracts for defense equipment involves the services of hundreds of subcontractors, and an attempt to so differentiate would result in hopeless confusion.

The policy adopted by the committe regarding special amortization is extremely liberal and should be sufficient assurance to industry that the Government desires to be eminently fair in the matter.

Taxation has been described as "getting the most feathers from the goose with the least squawking."

That there will be some squawking over this excess-profits tax is as certain as sunrise. Its inequities will be stressed and all its critics will be certain that they could have written a much better bill. I speak of inequities because they will always appear in man-made legislation. It is impossible to avoid them, for our varied types of corporate structure present a complex and complicated problem that frequently stumps the experts who have made a life study of this subject.

Mr. Chairman, our revenue problems are going to be with us for a long time. While, as I have suggested, there may be some squawking, I believe our great American industrialists will accept the burden with good grace and loyally support the defense program.

Mr. McCORMACK. Will the gentleman yield?

Mr. CROWTHER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. In connection with the corporations that come under the invested capital provisions of the bill, the committee was very strongly of the opinion that the Treasury Department, where there are differences between the Treasury and the corporation or the taxpayer as to capital investment, should make every effort to adjust it without the corporation or the taxpayer being compelled to go to court or to engage in litigation. We would have written a different bill and made specific provision for a hands-across-the-table transaction with a closing-out agreement, but we were told that the Treasury Department had that power under law now, and that they intended to exercise it so that there would be as many agreements as possible arrived at without litigation between the taxpayers and the representatives of the Government.

Mr. CROWTHER. I thank the gentleman for his contribution. Let me say that in the 1918 act the sole base used for the determination of excess profits was the invested capital.

During the period following there were 14,000 cases of litigation. Fourteen of them are still in existence—for 1919 and 1920—and have not been settled. So we are hoping that we shall avoid the flood of litigation that followed the act of 1918. Ninety percent of the litigation was the result of the difficulty in determining what the invested capital really was.

Mr. Chairman, the committee lent its best efforts to the preparation of this bill and may I at this time extend my appreciation on behalf of the minority members of the committee to the majority, my chairman the gentleman of North Carolina [Mr. DOUGHTON], and the gentleman from Tennessee [Mr. COOPER], chairman of the subcommittee, for the fine spirit of harmony and cooperation that was manifested during the consideration of this bill. Neither politics nor partisanship entered into the proceedings.

Mr. Chairman, taxes have been a troublous subject all down the centuries. When the Savior was asked by the citizen, "What shall we render unto Caesar?", that was a question of taxation.

National preparedness is our "Caesar," and to that cause we must give full measure of our dollars and our devotion. [Applause.]

Mr. CROWTHER. Mr. Chairman, I yield 15 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, I am confident that I speak for every Member of this body when I say that all favor a strong national defense. If by toil and sweat we can avoid the blood and tears now engulfing Europe, it must be done, and done at once.

Our job is to make America strong; strong in planes and tanks and ships. But strength does not lie in arms alone. It requires industrial strength, a vigorous and healthy industry, capable of supplying our needs in arms and equipment. And it also requires financial strength, a sound treasury, a sound national credit, a sound tax structure.

At the very outset of our great defense effort we are in danger of foundering for lack of a plan. This is a strange omission on the part of the New Deal. We have been living in a planned economy for the last 8 years. We had short-lived illusions of prosperity in 1936; it was "planned that way." We have had all manner of plans, from food-stamp plans to plans for harnessing the tides. But when it comes to the vital, practical matter of financing national defense, there has been no semblance of a plan.

Our finances are in a precarious state. We have virtually exhausted our $45,000,000,000 debt limit; by next June we shall have used up the additional $4,000,000,000 of borrowing power which we voted in June. Our peacetime expenditures for the last fiscal year, prior to the defense emergency, were nine and one-half billion dollars, approximately three and one-half billion dollars more than the revenues. This condition has prevailed every year since 1933. On top of this, we now propose to add a vast and as yet undefined program of defense expenditure. On August 9, according to the Secretary of the Treasury, this projected expenditure totaled fourteen and seven-tenths billion dollars. And that, we know, is only a down payment.

In the name of common sense, it seems to me we ought to know what the Military Establishment is that we propose to acquire, and what it will cost, even if we can only make the roughest estimates at this time. If what we need, let us say, is a two-ocean navy, an army of 2,000,000 men, and 50,000 airplanes, we ought to know what it will cost to build, and how much it will cost to maintain from year to year. Then we can sit down and figure out a sound plan to foot the bill. We shall undoubtedly have to borrow some more; we can decide how much, and set our debt limit accordingly. We shall need additional taxation; we ought to impose taxes honestly and openly on incomes and other sources, and we should bend every effort to increase the incomes subject to tax. We shall have to economize; the Treasury, like every citizen, will have to pull in its belt and cut down on nondefense expenditures.

Unless we adopt such a plan—and I do not speak lightly—we shall come face to face with inflation, and all its devastating consequences. There is no escape from it.

Up to the present time, I have seen no indications of a sensible approach to the problem. Defense has been financed on a day-to-day, hand-to-mouth basis. What would the Treasury Department think, I wonder, of a businessman who came to his board of directors on the 1st of January and said: "I don't believe I'll need any new money this year; I think I can get by on what I have." Then he comes around again in June and says: "I believe I will need $3,000,000,000; no, I mean $4,000,000,000 to get through the year." And finally in August he turns up again and says: "What I really needed all along was $14,000,000,000." Yet this is precisely the procedure the Treasury has followed in requesting increases in the debt limit from our committee at this session of Congress. And the 1941 fiscal year is now only 2 months along.

The tax problem has been handled in a similar extraordinary fashion. Only 2 months ago we were suddenly requested to provide the revenues to amortize, over 5 years, a special series of defense obligations amounting to $3,000,000,000. Three billion dollars became $4,000,000,000 overnight. At breakneck speed we passed a bill calculated to raise $1,000,000,000 annually, two-thirds of which was carefully earmarked for defense purposes. What has become of the special defense fund to amortize defense expenditures over 5 years? What has become of the principle of earmarking revenues for defense purposes? No reference was made to either object in the discussions of the pending bill, although it is supposed to be a tax levied on defense emergency profits. The special defense fund was hastily conceived and has been just as hastily abandoned.

The pending bill is another example of aimless haste in the formulation of tax policies and principles. In the report of our committee on the defense-tax bill in June, we recommended—and I concurred in that recommendation—that studies be undertaken with a view to enacting an excess-profits tax as soon as possible after January 1, 1941, which would be retroactive to 1940 incomes. That would have given ample time for preparation of Treasury recommendations and for careful deliberations by Congress. In the conference report the Treasury was instructed to present its recommendations not later than October 1. Less than 2 weeks later, however, on July 1, the President suddenly called for the immediate enactment of a steeply graduated excess-profits tax. Since that time the business of preparing a bill has been conducted in an atmosphere of frenzied haste. A subcommittee report was submitted on August 9 and hearings began on that report the same day, before anyone even had a chance to read it. The print of a bill was not available until yesterday. Today it is brought to the floor, and we are confronted will a bill more than a hundred pages long dealing with one of the most complicated and technical subjects known to the tax laws. It contains extensive changes in the plan proposed in the subcommittee report. These changes were prepared wholly by members of the majority and the Treasury Department over the week end, brought in to the full committee, and passed by the majority in an hour or two Monday afternoon.

We are asked to give such a bill our approval today and speed it on its way. It may have the majority's approval and blessing. It does not have mine. I have not had time to study or digest it. I do not pretend to understand its ramifications and effects. And I do not think any Member of this body fully understands it.

The alleged necessity for this extravagant haste is the national-defense program. It is rightly said that contractors for new defense facilities need to know as soon as possible the provision Congress will make for amortizing their cost. But the majority evidently forgets that we of the minority proposed to attach the amortization provision to the defense-tax bill in June, but we were voted down. It could have been passed weeks ago. It could still be passed in 2 days if the majority would consent to separate it from the rest of the bill. But they will not do so. They must shoulder full responsibility for the delay.

It is also said that industry must know its tax liabilities under this bill before it will go ahead on the defense program.

I do not agree with this contention. There is a vital difference between amortization and the excess-profits provisions in this respect. Amortization is a problem of recovering your cost; taxes fall only on profits after cost has been recovered. You cannot ask a man to risk his shirt without knowing whether he will ever get it back; but you can expect him to go ahead while Congress decides how it will tax his profits.

Even if I concede that knowledge of tax liabilities in advance is desirable, I do not think that the passage of this bill today would aid the objective. A hastily drafted, makeshift, inequitable tax bill will detract from, not add to, certainty of tax computation. Under this bill, as it now stands, it will take months to compute tax liabilities. And even then there is no assurance that the law will not be changed again before the ink has dried on this bill. I remind you that this is the eleventh major tax bill in 7½ years of the New Deal.

I am still in favor of an excess-profits tax—the one we contemplated last June, which was to be written calmly and deliberately by Congress before next January 1. The purpose of that excess-profits tax, which I endorse, was to prevent the creation of war millionaires, and unjust enrichment from profiteering and speculation as a result of the national-defense program. I submit that it was also intended to safeguard normal activities and normal profits not arising from the defense program; to avoid inequities and discriminations; and to aid in the development of a sound program to finance national defense.

The excess-profits tax proposed by the majority serves none of these essential purposes. I do not propose to criticize the bill in detail. For reasons I have already stated, it is impossible to do so. But there are certain general objections to the bill which are apparent on its face.

First, it subordinates every other consideration to the purpose of raising revenue. My understanding of an excess-profits tax is that it is intended to prevent excess profits, and to the extent that it succeeds in preventing them, it will not and should not produce revenue. No one knows better than I that we need additional revenues. But I believe we should raise them directly and openly. We should not, as this bill does, impose taxes on normal profits under the pretense that we are taxing only excess profits.

The bill purports to exempt normal profits. Superficially, it appears to allow either the average earnings of the last 4 years, or a return on invested capital, as normal profits exempt from tax. I agree that this would be a fair and logical way of determining normal profits. But, when one examines the limitations upon the use of either method, it is impossible to escape the conclusion that what we are really taxing is normal profits.

Consider, first, the average earnings method. This is universally conceded to be a fair way of measuring normal profits. It is used both by England and Canada at the present time. But, in order to use this method, under the bill, a taxpayer must pay an additional normal tax on all its profits of more than 4 percent. Then its excess profits, if any, will be subjected to a rate of tax 5 percent higher than that imposed on taxpayers using the invested capital method. This means that the small, undercapitalized company; the company depending chiefly on borrowed capital; the company whose earnings are attributable to skill, initiative, and brains instead of invested capital—all will suffer severe penalties. The overcapitalized, "watered-stock" corporations will escape. What is this but a penalty tax on normal profits? In the undistributed profits tax, the majority devised a penalty tax on corporations unable to distribute earnings. Now they devise penalty taxes on corporations using a fair and equitable method of determining normal—not excess—profits.

Or consider, on the other hand, the invested-capital method. Suppose a corporation has no earnings, or abnormally low earnings, in the last 4 years and turns to invested capital for computation of a normal profit. What rate of return is deemed a normal profit under the bill? The majority say 5 percent, except for corporations with less than $500,000 invested capital, which may earn 7 percent. This is obviously insufficient. Fixed charges on bonds and debentures and preferred-stock dividend requirements frequently are higher than 5 percent. Yet profits devoted to these normal purposes are taxed as excess profits. A fair return on invested capital should be at least 8 percent or 10 percent. A corporation which has not earned that return has not earned a normal profit.

There are many other provisions of the bill which appear to me to be inequitable, arbitrary, and discriminatory. No provision is made for consolidated returns, although it is admitted that they are essential. and the only reason for their omission is that we have not time to draft a satisfactory provision. I do not think a satisfactory provision has been made for corporations which have suffered losses in the last 4 years, although it is conceded that a loss is the antithesis of profit, and the average of profits and losses of the last 4 years is not a normal profit. We should allow a taxpayer to select any 3 of the last 4 years as a base-period credit, and we would have done so if the majority's desire for revenue had not overcome its desire to do equity.

I am not satisfied with the treatment of new corporations, which are required to use the invested-capital method, even though they have been in existence 2 or 3 years. I do not like the substitution of tax basis for cost of property in computing invested capital. I am not convinced that the measurement of excess profits over a single 12-month period is a fair treatment of corporations with widely fluctuating incomes. My list of objections, doubts, and reservations might be extended to far greater lengths.

This I am sure of: We ought to take more time to consider this bill and to improve it. We ought to take time to avoid the mistakes we made in 1917 and 1918 with the excess-profits tax. We ought not to commit the same fatal error of plunging headlong into an excess-profits tax without adequate consideration of the consequences. As the bill stands, there is a grave risk that it will check the expansion of defense industries and jeopardize the whole defense program. It will serve to freeze production and employment at present subnormal levels. It will stop the healthy development of small, growing businesses and compel them to come to the Government for financial aid. It will paralyze normal peacetime activities essential to pay the costs of the emergency and to support our economy when the emergency has passed.

We ought not to take such risks. Our greatest service to the national defense in this critical period should be to develop the soundest and most equitable excess-profits tax that it is possible to write. [Applause.]

Mr. CROWTHER. Mr. Chairman, I yield such time as he may desire to the gentleman from Colorado [Mr. LEWIS].

Mr. LEWIS of Colorado. Mr. Chairman, since yesterday, when printed copies of H. R. 10413 were first made available to Members of the House, there has not been time to make careful analysis of the provisions of the proposed excess-profits tax, with particular reference to its effect upon small corporations which for several years have been operating at a loss, or with only a meager income and which, in 1940, hope to make a reasonable profit on their operations. I refer particularly to those corporations which will derive no direct benefit whatsoever from the national-defense expenditures. The majority of large and well-established corporations with ample or excess capital will suffer no prejudice. But those corporations which have been struggling to survive with limited capital and those corporations which have been unfortunate during the last few years and which have managed to make some money in the year 1940 will be obliged to pay the top rates. The same is true of new industries such as the new air-transport corporations and also of corporations engaged in hazardous business involving capital risks, such as mining corporations. A mining corporation may make five investments in separate mining ventures and in only one be successful, but the profits from this one successful venture will be heavily taxed. A mining company may operate 4 or 5 years at a loss on one property and then make a substantial profit in 1 year. For this 1 year it will pay the top rates.

I cannot avoid the conclusion that the result of the proposed excess-profits tax will be to discourage initiative—the American spirit of taking a long chance in the hope of winning a great prize. I apprehend that the result of this tax will be to hamper industry, to increase unemployment, and to bring into the Treasury less than the needed revenue.

During the World War an excess-profits tax was enacted. The comparatively limited revenue derived therefrom, and the great amount of controversy and litigation which resulted, should not recommend to the Congress the imposition of a similar tax at this time. It is clear, I believe, that much more revenue could be secured, more equitably and with fewer deterrents to business, less opportunity for avoidance, and less controversy, by imposing a supertax of 10 to 15 percent on corporate net incomes in excess of $25,000.

The revenue to be derived from the proposed excess-profits tax is estimated to be about $300,000,000. By imposing a supertax as above suggested, two or three times that amount of revenue could be secured. I have always understood that the principles which should be borne in mind in enacting a tax bill are, first, to raise as much revenue as possible; second, to cause as little friction, controversy, and litigation as practicable; and, third, to reduce to a minimum economic disturbance. Tested by these three principles, the proposed excess-profits tax should be rejected and the tax rates on corporate net income in excess of $25,000 should be increased.

The theory of excess-profits taxes is that a corporation is entitled to a reasonable or some kind of a return upon its invested capital before it is subject to an excess-profits or supertax. The theory is somewhat similar to that of rate making in public utilities. However, in principle there are some distinct differences. Furthermore there is a conflict with the principle of taxation that a taxpayer should pay taxes in accordance with his ability to pay. A corporation with an invested capital of $1,000,000 and earnings of $100,000 is better able to pay a tax of $50,000 than a corporation with an invested capital of $10,000 and earnings also of $100,000.

In normal times the primary purpose of all tax laws should be to raise revenue. In times of war or an emergency the laws should not only be designed to raise revenue but they also should not place burdens on or create dislocations in business so that inefficiency and waste result and accomplishment in respect to war or emergency measures fails. At the present time the Government needs revenue, but even more it needs, with the least possible delay and interference, defense.

I maintain that at this time an increase in corporate income-tax rates will more effectively accomplish both of the above purposes than an excess-profits tax.

I. THE PROPOSED EXCESS-PROFITS TAX WILL NOT YIELD AS MUCH REVENUE AS REASONABLE RATE INCREASES

I do not know what the estimate is as to the revenue that the proposed excess-profits tax will yield, but I imagine this estimate does not exceed $300,000,000. Also I do not believe that it is possible thus to estimate intelligently what the excess-profits tax will yield as there are too many unknown factors. However, assuming that the national corporate net income for the year 1940 should be $10,000,000,000, a rate increase of 10 percent would yield $1,000,000,000. At present the corporate tax rate is 20.9 percent, so an increase of 10 percent at this time would not be unreasonable. It should also be kept in mind that individual tax rates are high and the Government derives large revenues from corporate distributions. Generally the greater the corporate taxes the less there is available to distribute to shareholders.

It is comparatively simple to estimate what the yield will be when corporate tax rates are increased. The Treasury Department can make such an estimate. It is believed that a rate increase of 10 percent will yield a great deal more than the proposed excess-profits tax; but in any event this question can be satisfactorily answered by the Treasury Department.

II. THE PROPOSED EXCESS-PROFITS TAX WILL PLACE TERRIFIC BURDENS UPON BUSINESS

Principles of invested capital were never satisfactorily or finally determined under the Revenue Acts of 1917 and 1918. Invested capital is difficult to determine for 1 year, but the proposed law requires the determination of invested capital for 5 years. Complicated computations will be necessary on account of distributions, additions to capital, income, and excess-profits-tax liability, inadmissible assets, and so forth. The entire machinery is so delicate that if any error is made in respect to any item or any computation, the entire computation is erroneous. In addition, numerous practical obstacles are presented.

For example: Any corporation which has not had its net income finally determined for any one of the years 1936, 1937, 1938, and 1939 cannot ascertain its invested capital for any one of these years or for the year 1940. It is unnecessary to state that innumerable corporations have now or will have controversies in respect to the above years. Any corporation which has a depreciation case—and there are many—cannot determine its invested capital for the base years or current year.

Reorganizations—taxable and nontaxable—stock dividends, stock split-ups, all kinds of compromise settlements in the past with the Bureau of Internal Revenue present involved and possibly insoluble problems.

Inadequate records not only for the base and current years relating not to income but to invested capital may make it actually impossible to determine invested capital.

Valuations which are always difficult will be increasingly important, and additional services not only of lawyers, accountants, tax experts, and consultants but also of engineers of all types will be necessary. Bookkeeping, clerical, and accounting work will be increased greatly.

Borrowed capital with a contra interest adjustment, which in itself is illogical as far as invested capital is concerned, will raise a number of problems.

Special cases will present problems which cannot conceivably be foreseen. It must be recognized that corporate business and corporate structures in this country are complicated and to attempt to apply such a complicated tax law may quite possibly result in chaos from an accounting and tax viewpoint.

Very few corporations will be able to determine their excess-profits-tax liability correctly. Contingent tax liabilities with all of their attendant evils will result. In a number of cases, it will be difficult if not impossible for years to determine whether corporate distributions are out of capital or out of earnings, and therefore shareholders or the Bureau will not know whether such distributions are taxable or nontaxable. For some 27 years efforts have been made by Congress to define and determine net income. The Bureau, taxpayers, and the courts have likewise struggled with the problem, and this job is not completed. Is it necessary to emphasize what the situation will be when it becomes necessary to determine something even more difficult—invested capital?

III. THE PROPOSED EXCESS-PROFITS TAX WILL BE INEQUITABLE

Small corporations which have not had sufficient income to employ expensive accountants and lawyers in the past and which are also not able to afford such expenses in the present, will be penalized.

Corporations which have been struggling to survive with limited capital will pay the top rates. Corporations which have been unfortunate in 1936, 1937, 1938, and 1939 and which manage to make some money in the year 1940 or subsequent years will likewise pay the top rates.

Corporations successful in 1936, 1937, 1938, and 1939 with ample capital very probably will not even be subject to the tax.

Is there anything fair in cracking down on an unfortunate corporation with small capital and relieving the large and prosperous corporations with ample or excess capital?

The relief provisions are inadequate and, it would in fact be impossible to devise relief provisions which would take care of all abnormal cases.

The personal holding corporation provisions do not and cannot take care of the cases where limited capital is necessary and services of other than the principal stockholders are availed of.

Corporations engaged in hazardous businesses involving capital risks, such as mining companies, will be definitely penalized. A company may make five investments in mining ventures and only one will be successful, but the profits from this one successful venture will be unfairly taxed.

The aviation companies and the air lines which have been in a process of development will probably be unfairly taxed.

Corporations which develop successful processes, patents, or discover new and successful methods of operations will probably be penalized. Ingenuity and brains will be disproportionally taxed.

I do not believe that it takes a great deal of imagination to determine that the proposed excess-profits tax will not be taxation according to the ability to pay, but will actually discourage individual initiative, development of new businesses and new ideas, and will be in direct conflict with what I understand to be the American way of business.

IV. THERE WILL BE INNUMERABLE LOOPHOLES AND OPPORTUNITIES FOR THE AVOIDANCE OF THE PROPOSED EXCESS-PROFITS TAX

The history of income taxation has been a continuing game of taxpayers and tax experts discovering loopholes to avoid the tax and Congress by legislation blocking such loopholes—and, at that, there are still a few left. Invested capital, with all kinds of complicated adjustments, will offer very attractive opportunities to shrewd taxpayers and tax experts to play with. To mention only a few of the very obvious possibilities of tax avoidance: First, intercorporate juggling of capital between a parent and its subsidiaries. The proposed law does not permit consolidated returns. Second, officers' salaries; third, borrowed money. A taxpayer may possibly save taxes by borrowing more money than is necessary. Fourth, excessive invested capital. Contributions of capital may be made to a corporation by wealthy stockholders although not actually needed, thus freezing capital and making it nonproductive when it is needed.

Congress has attempted by previous laws to force distributions when the profits are not necessary in the business. The proposed excess-profits law discourages distributions to shareholders. In an operating business, and not a personal holding corporation, it is difficult to determine when a corporation is availed of to prevent the imposition of taxes upon its shareholders. In any event, the distributions could be made, the tax paid thereon and contributed back to the corporation—with the result that the invested capital would be increased, and legally so. But the result would be bad economically, and the excess-profits tax would be decreased.

There are at present large sums of taxes in controversy for the years 1936, 1937, 1938, and 1939. In order to secure an exemption and relieve itself from a 40-percent tax, a taxpayer might well concede the additional net income for prior years and pay a tax thereon—possibly of 19 percent. The Bureau might find itself in the somewhat paradoxical position—and I must say refreshing one— of arguing that the taxpayer did not have the additional income in the prior years and did not owe the taxes for such years.

By considering individual corporate cases loopholes will be discovered which cannot be anticipated now—and of this I am quite sure.

To summarize: A tax law which will not yield substantial income, which is a burden and a deterrent to business, which is inequitable, and which can be, in part at least, avoided, should not be considered by the Congress, and other means or forms of taxation should be sought.

V. MUCH MORE REVENUE CAN BE SECURED, MORE EQUITABLY AND WITH LESS DETERRENTS TO BUSINESS AND FEWER OPPORTUNITIES FOR AVOIDANCE AND CONTROVERSY, BY IMPOSING A SUPERTAX OF 10 TO 15 PERCENT ON CORPORATE NET INCOME IN EXCESS OF $25,000

I have not intended to convey the impression that the revenue from taxes should not be increased and that taxpayer corporations should not pay more. I believe they should pay more, but not by means of the excess-profits tax.

I believe that the Government is different from any taxpayer in that it has a perpetual existence—or we all believe and hope that it will have. Furthermore the Government has means of financing not available to taxpayers. Therefore, I do not believe that the Government needs to consider a small unit of time or because of an emergency frantically attempt to meet all of its fiscal problems in any 1 year or a series of years. In fact our Government has not been doing so.

In prosperous times income taxes should be substantial—a surplus should be accumulated or at least the national debt reduced. In periods of depressions income taxes should not be heavy or at least not drastically heavy. However, in a time of war or an emergency it is necessary to have heavy taxes and likewise an increase of the national debt.

Businessmen expect increased taxes and substantial increases; but the burden of this increase should be equitably divided. The profits of a corporation, after taxes, are used generally in three ways: First, dividends; second, plant expansion; third, debt retirement. From the standpoint of the defense program, the use of profits for the expansion of plants and the payment of debts, thus providing funds for reinvestment, is wise; and, from the standpoint of taxation, the distribution to stockholders is good. Therefore, too excessive tax rates on corporate income—for example, as high as 80 or 90 percent—would not be wise. Plants would not be constructed, debts would not be paid, and there would be an adverse contra effect upon the tax revenues from individual taxpayers. However, a corporate tax rate as high as 30 or 33⅓ percent is not unreasonable. In fact I believe the rate could go to 50 percent in an emergency without any bad or inefficient effect.

It must be kept in mind that repairs and depreciation charges are deducted from gross income so that cash is greater than true net income. This depreciation money provides for periodical plant replacement and is vital to industry.

At present the corporate tax rate is 20.9 percent. I believe a tax law somewhat along the following lines would be acceptable to business, would actually yield substantial revenue, and would be equitable.

First. Normal tax rate of 20 percent.

Second. Repeal of present capital-stock tax and excess-profits tax law.

Third. Permission to file consolidated returns.

Fourth. Supertax rate of 10 percent or 15 percent on net income in excess of $25,000.

I believe there will be no great hardship for any corporation to pay 20 percent on its net income to the extent of $25,000; and thereafter a supertax of 10 percent to even 15 percent, regardless of what its invested capital may be. Generally a corporation in active and prosperous times with two-thirds of its income available for dividends, plant expansion or business expansion, and debt retirement, is not in a difficult position.

It should also be recognized that the present law provides for a net loss carry-over which is quite advantageous to corporations and which should be continued.

Also, I believe the 5-year amortization of war facilities should be permitted. Looking at taxation from a long-range viewpoint the early amortization of war facilities may not have a great effect upon tax revenues.

It is assumed that the activity on account of the defense program will have the effect of increasing the profits not only of corporations making planes and tanks but these expenditures will increase the profits indirectly of other corporations. Not only war contractors will benefit by the defense program but business will generally. [Applause.]

Mr. CROWTHER. Mr. Chairman, I yield to the gentleman from Kansas [Mr. CARLSON] such time as he may desire.

Mr. CARLSON. Mr. Chairman, we are now considering another piecemeal tax measure. Congress recently enacted what was called a special defense tax bill which will produce about $1,000,000,000 in revenue annually. Today we present a bill that will produce approximately $300,000,000 during the present year. It is estimated that it should raise $700,000,000 in 1941. An analysis of our Federal income and our Federal expenditures should convince anyone that this piecemeal method of tax legislation must soon be superseded by a complete revision of our tax structure. This problem must be realistically dealt with or we face bankruptcy and ruin.

Secretary Morgenthau, appearing before our committee on August 9, stated that the recent $4,000,000,000 increase in our Federal debt limit will have been exhausted by June 30, 1941. Mr. Bell, speaking in behalf of the Treasury, in-

formed us that if we did not get additional revenue under present tax laws or from other sources the debt limit would have to be increased $9,000,000,000 by June 30, 1941. This would mean increasing our national debt limit to $58,000,000,000 and no one can tell how much higher, if we continue spending money at the present rate. The Treasury advised us that the receipts for the current fiscal year will amount to $6,367,000,000 and that the total expenditures will probably exceed $12,000,000,000, leaving a net deficit of $5,700,000,000. The Treasury statement shows that Congress had voted appropriations and contract authorizations on August 5 of this year totaling $14,702,000 for national defense. This does not include moneys that will be required for training a conscript army or ordering out the National Army. No doubt this will require an additional one and a half billion dollars. This vast expenditure of money will have to be met by taxation and when this occurs the citizens will become conscious of a real tax burden.

The following tables were submitted by Secretary Morgenthau on his appearance before our committee on August 9:

Appropriations and contract authorizations for national defense [1]

	Army	Navy	Total
Appropriations made	$2,320,000,000	$1,867,000,000	$4,187,000,000
Appropriations pending	1,662,000,000	601,000,000	2,263,000,000
Contract authorizations approved	577,000,000	312,000,000	889,000,000
Contract authorizations pending	2,250,000,000	498,000,000	2,748,000,000
Total	6,809,000,000	3,278,000,000	10,087,000,000
2-ocean navy and other construction previously authorized		4,615,000,000	4,615,000,000
Total	6,809,000,000	7,893,000,000	14,702,000,000

[1] As of August 5, 1940.

Does not include any estimate of costs of bill to authorize selective compulsory military training and service or bill to authorize the President to order the National Guard into active military service.

Revised Budget summary

	1941		
	Revised Aug. 5, 1940	Revised June 3, 1940	In Budget
I. Receipts:			
Internal revenue	$6,448,000,000	$5,732,800,000	$5,649,600,000
Railroad Unemployment Insurance Act	7,000,000	6,800,000	6,800,000
Customs	300,000,000	300,000,000	273,000,000
Miscellaneous receipts	221,000,000	221,400,000	221,400,000
Total	6,976,000,000	6,261,000,000	6,150,800,000
Deduct net appropriation to Federal old-age and survivors insurance trust fund	609,000,000	608,700,000	602,800,000
Net receipts	6,367,000,000	5,652,300,000	5,548,000,000
II. Expenditures:			
Legislative, judicial, executive	37,000,000	37,000,000	37,600,000
Civil departments and agencies	1,060,000,000	940,000,000	952,200,000
General public works [1]	586,000,000	556,000,000	541,300,000
National defense [2]	5,000,000,000	3,250,000,000	1,939,700,000
Veterans pensions and benefits	562,000,000	560,000,000	560,700,000
Aids to agriculture (including Farm Security Administration, 1941)	1,090,000,000	950,000,000	1,028,800,000
Aids to youth	375,000,000	375,000,000	308,000,000
Social security	427,000,000	437,000,000	436,900,000
Work relief (including Work Projects Administration, 1941)	1,400,000,000	1,400,000,000	1,122,800,000
Refunds	70,000,000	71,000,000	71,000,000
Interest on public debt	1,100,000,000	1,100,000,000	1,100,000,000
Transfers to trust accounts	226,000,000	225,000,000	225,200,000
Supplemental items (regular)	125,000,000	100,000,000	100,000,000
Total expenditures (exclusive debt retirement)	12,058,000,000	10,001,000,000	8,424,200,000
III. Net deficit	5,691,000,000	4,348,700,000	2,876,200,000
IV. Debt retirement	100,000,000	100,000,000	100,000,000
V. Gross deficit	5,791,000,000	4,448,700,000	2,976,200,000

[1] Excludes Army and Navy. [2] Includes public works.

HIDDEN TAXES

As our tax burden increases the average citizen will have less money to spend for the necessities and conveniences of life. The average income in the United States, according to some experts, is about $480 per year. Of this income, approximately 31 percent goes for taxes, either direct or indirect. This is a real burden and will become a much greater burden within the near future. Unfortunately, not all taxes are visible, and the average citizen little realizes the number of hidden taxes that he pays. Fortunately, we accept taxes, large and small, as we accept changes in the weather. A study in a midwestern town revealed the following hidden taxes:

Out of every $1 spent for new automobiles, 15 cents is tax.

Out of every $1 spent for furniture, 13 cents is tax.

Out of every $1 spent for rent, 25 cents is tax.

Out of every $1 spent for wallpaper, 10 cents is tax.

Out of every $1 spent for movie tickets, 12 cents is tax.

Out of every $1 spent for insurance, 3 cents is tax.

Out of every 10-cent package of cigarettes, 7.4 cents is tax.

Out of every $1 spent for men's clothing, 10 cents is tax.

Out of every $1 spent for shoes, 7 cents is tax.

Out of every $1 spent for electricity, 12 cents is tax; for gas, 15 cents.

Out of every $1 spent for bus fare, 6 cents is tax.

Out of every $1 spent for meat, 8 cents is tax.

Out of every $1 spent for sugar, 18 cents is tax; for matches, 13 cents; for soap, 5 cents; for beer, 34 cents; for vegetables, 9 cents; for canned goods, 8 cents; for cocoa, 20 cents.

Out of every $1 spent for proprietary medicine, beauty preparations, or shaving cream, 20 cents is tax.

Out of every $1 spent for bread, 15 cents is tax.

Out of every $1 spent for diamond rings, 17 cents is tax.

Out of every $1 spent for railroad fare, 11 cents is tax.

Out of every $1 spent for guns and shells, 20 cents is tax.

Out of every $1 paid on telephone bills, 15 cents is tax.

Out of every $1 paid for milk and dairy products, 10 cents is tax.

Out of every $1 spent for automobile upkeep, 37 cents is tax.

EXCESS-PROFITS TAX

War profiteering has always been an object of scorn and hatred. At a time of war or national emergency it is unthinkable that any individual would be permitted to enrich himself. The citizens of our country have not forgotten the enormous profits made during the World War and are determined that this must not happen again. The pending bill is introduced for the purpose of curbing excess profits, but I seriously question its effectiveness. It is true that it is called an excess-profits tax, but an analysis of this bill reveals suspension of the Vinson-Trammell Act and a most liberal amortization. It is estimated that the corporation profits for 1940 will run in the neighborhood of $9,000,000,000. As this tax bill is proposed to yield $300,000,000, it would mean an effective rate of about 3½ percent. The bill, as presented to the House, provides exemptions which will exempt approximately 85 percent of the corporations in the United States. This means, of course, that the remaining 15 percent will pay a higher average rate.

During the World War the combined war and excess-profits taxes worked out to an effective rate of 15 percent in 1917, 30 percent in 1918, and 15 percent in 1919. Despite the high rates of that tax measure, it is reported that during the World War 22,000 citizens rose from financial obscurity to millionaires. If they did this at a time when we were collecting one and a half to two and a half billion dollars in war and excess-profits taxes, what can we expect from a $300,000,000 excess-profits-tax collection?

The following table shows the excess-profits tax and income of all active corporations in the United States in millions of dollars:

Year	Net income before taxes	War and excess-profits taxes
1917	$11,141	$1,639
1918	8,646	2,506
1919	9,526	1,432
1920	7,292	989

AGRICULTURE AND WAR PROFITS

The farmers' position on the proposed legislation was well presented to the Ways and Means Committee by Mr. E. A. O'Neal, president of the American Farm Bureau Federation, when he stated:

American agriculture does not ask for any special preferred position or extra profits out of the war. Farmers are ready to do their part; they are not going to refuse to produce essential food and fiber unless they are guaranteed their normal profits and a liberal share of excess profits as well. Farmers have produced and are continuing to produce an abundance of food and fiber. The fact is our agriculture is going to suffer tremendously as a result of the present war. Already surpluses are accumulating, due to the curtailment of our export markets. We have confined our requests to repairing the damage done by these trade dislocations and to maintaining a parity relationship between agriculture, industry, and labor.

Agriculture has already suffered a severe dislocation and inequality because of the present European war. This will be greatly increased as the war continues and our Nation enters into a great national-defense program. It is unfortunate but true that the farmer is in no position to get any material advantage from the expenditure of this vast sum of money. His products may increase some in price, but increased costs of labor, manufactured commodities, and additional tax burdens will further increase his present disparity. Exports of articles and munitions of war are rapidly increasing, while agriculture's foreign markets are disappearing. The Department of Agriculture states that the farmer's prices have continued to slide downward, while the prices of products which the farmer must buy have remained high since the outbreak of the war. The index of prices paid by the farmers is now 122—1910–14 equal 100—while the prices received by farmers have dropped to 95. Thus the farmer's dollar has only a purchasing power of 78 cents. On the other hand, industry is reporting marked gains. Thus the first 100 corporations reporting on their profits for the first half of 1940 had an aggregate net income of $113,658,828. This is an increase of 60.5 percent over the $70,818,878 of net profits made by these same corporations in 1939. The 5 corporations showing the greatest gain netted an average increase of 197.8 percent over the same period last year. Their net profits showed a total gain of $23,282,972 over the first half of last year. The following table gives the increase and gain of the 5 corporations showing the greatest gain:

	Increase	Percent gain
General Electric	$9,501,380	58.0
Republic Steel	5,366,142	495.3
Atlantic Refining	3,913,000	289.2
Libby-Owens-Ford Glass	2,521,935	94.9
Caterpillar Tractor	1,194,134	51.6

These great gains are the result of war and national-defense expenditures. Hundreds of other corporations in the United States can be expected to make larger profits through the manufacture of aircraft, tools, machines, shipbuilding, and chemicals. Since the defense program is not fully under way, it is reasonable to assume that enormous profits might be expected from these transactions.

VINSON-TRAMMELL ACT

The bill under consideration provides for a suspension of the profit-limiting provisions of the Vinson-Trammell Act. We are advised by representatives of the National Defense Council that this should be done in order to relieve conflicts in the purchase of defense material. It is only fair to state that this act, passed on March 27, 1934, which provided a maximum profit of 12 percent for the construction of naval and aircraft equipment, is unfair in that it applies only to this branch of the service. On the other hand, I feel certain we are making a mistake. Congress enacted this legislation because of complaints of excessive costs and excessive profits in naval construction. This act was passed in what might be called normal times. On June 28, 1940, Public, No. 671, Congress unanimously passed an amendment to the original act reducing the 12-percent profit to 8 percent. We are advised that this reduction of from 12 to 8 percent seriously affected the signing of contracts for the construction of naval vessels and aircraft. Admitting these are not normal times, it no doubt would have been better to have left the limitation at 12 percent. Under these restrictions we are advised that only a limited number of combat aircraft has been secured. I am wondering if the real reason for removing this profit limitation was not the fact that 11,000 planes have been ordered by the British and French Governments during the past 2 years and about 3,000 have been delivered. The remaining 8,000, all of which are to be delivered to Great Britain, represent about $1,000,000,000 worth of business on which profits should be 20 to 25 percent. In the event of a British collapse, most of these planes would be taken over by our Government at a profit not in excess of 5 to 6 percent under the Vinson-Trammell Act. With operations of the Vinson-Trammell Act suspended, one can readily see how much additional we are going to pay for aircraft necessary for our defense program.

The citizens have not forgotten the cost-plus contracts of the World War; nor have they forgotten the excessive profits made at that time. Suspension of the profit-limiting provisions will be an encouragement to return to the excessive profits of the World War and a real loss to the taxpayers of this country. Congress and the citizens should closely scrutinize the contracts that are to be awarded after the provisions of this act are suspended. [Applause.]

Mr. CROWTHER. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, I have tried to study this excess-profits tax bill, especially in the few hours that the final draft has been available to us, and I join other Members of the House in wondering what it does and does not do. Certainly it does not raise much revenue, and certainly it will cause many a headache to many an accountant and tax expert in and out of the Treasury, to say nothing of lawyers and their clients, the taxpayers. It is probably well done, but who can say until the Treasury rulings come hailing down?

A few moments ago I questioned the gentleman from Tennessee [Mr. COOPER], a most valuable member of the Committee on Ways and Means, concerning the fate of the partnership which has recently become a corporation. He replied that they were not protected under the terms of this bill because they do not have a history as a corporation. What about that, and are all small new companies, struggling to become established, to be penalized under these terms?

However, there is little use discussing that matter here as we are operating under a "gag" rule which limits debate to 2 hours and prevents any amendment except those offered by the Committee on Ways and Means. As my colleague from California said earlier, if we had an open rule, we could stay here all this week end working on this bill and still have it ready for consideration by the Senate next Monday morning as is planned.

However, for purposes of the record, I submit the following letters which I presented to members of the Ways and Means Committee for their consideration. The subject matter was considered, so I am informed, but nothing was done about it. I sincerely hope that the plight of such as these may be recognized before the bill becomes law.

The letters follow:

RICCARDI & WEBSTER, LAWYERS,
Pasadena, Calif., August 16, 1940.

Hon. CARL HINSHAW,
House of Representatives, Washington, D. C.

DEAR CARL: I notice in current newspaper dispatches that the committee dealing with the subject of proposed excess-profits taxes advocates the plan allowing corporations which were in existence during the whole of the base period the option of determining their excess-profits credit on the basis of earnings realized over the preceding 4-year period, while those which came into existence subsequent to January 1, 1936, must compute their excess-profits credits on the basis of invested capital.

I happen to have been in close contact recently with three business reorganizations, two of which represent the incorporation of partnership businesses, and the third a corporation recently formed taking over the business and assets of a prior corporation. If I correctly interpret the report above referred to, a partnership business which has become incorporated at any time subsequent to January 1, 1936, and which has transferred its entire assets to the corporation in exchange for capital stock of the latter and without any revaluation of assets, such reorganization being a non-taxable reorganization—that is to say a reorganization in which there is a mere change of capital structure whereby the corporation carries on in corporate form precisely the same business based on the same assets throughout as had supported the partnership business—such a corporation would be denied the optional privileges above mentioned and would be compelled to compute its excess-profits credit exclusively on the basis of invested capital. I think a plan of this nature would work serious injustice to such corporations

While my information is not exact, it runs in my mind that the excess-profits credit allowable on the basis of invested capital is 10 percent. One of the three businesses above named during the past 4 years has earned in excess of 25 percent on invested capital. If by reason of the fact that it now has a corporate structure operating the same assets and business, it must compute its excess-profits credit solely on the basis of invested capital, the result will be a serious discrimination against this particular corporation and other corporations that happened to be in existence prior to the initial date of the base period, notwithstanding that the identity of the business remains precisely as before, and in practical effect the only difference is the technical form through which such business is administered and carried on. Such a plan to my mind constitutes a discrimination not based upon intrinsic differences in classificaton of taxable entities but is purely arbitrary and wholly disregards the actual identity of the business. From a practical standpoint, there is no more justification for the discrimination which would be thus effected than were such discrimination based merely upon a formal change of name under which a business operates. It has the effect of penalizing all corporations organized within the base period, in which the only factor of differentiation is the mere formal change of ownership from that of an individual ownership to that of a corporate ownership.

The burdens of taxation cannot be fairly distributed unless the tax laws are based upon a recognition of substance rather than form. In any case in which the identity of the business remains unchanged, the mere fact of corporate ownership brought into effect within the base period should not subject such corporation to such a serious inequality of tax burdens. In all three of the organizations referred to above this arbitrary discrimination would result in serious detriment as between them and competing organizations in which the latter happen to have been organized in corporate form at an earlier date notwithstanding that in each of these cases mentioned there has been not the slightest change or alteration in the business structure of the organization itself other than that of mere corporate form.

It is, of course, obvious that my professional contact as a practicing attorney with these three organizations represents merely a minute fraction among thousands of similar instances which exist all over the country. To my mind the importance of this problem can hardly be exaggerated. This legislation should provide in effect that where the substantial identity of a business has been unchanged during the entire base period, the optional method of computing the excess-profits credit should be available to such business and regardless of the fact that it may have become incorporated during the interval. I hope that you will give this matter your careful study and will do everything you can to impress this point of view upon your colleagues, to the end that proper provision may be made to avoid the discrimination above mentioned.

These must be stirring times in Washington. I know you must be under a tremendous pressure. I wouldn't burden you with a long letter like this if I didn't feel quite strongly the importance of this subject. I suppose you haven't the slightest idea when you will again be in Pasadena. I hope that sometime in the not too distant future we will have an opportunity of again seeing you and getting some first-hand impressions of what is going on in Washington.

With kindest regards, I remain
Yours very truly,

WILTON W. WEBSTER.

AUGUST 14, 1940.

The Honorable CARL HINSHAW,
House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: Newspaper reports indicate that there is being considered in Washington a severe new excess-war-profits tax, apparently made necessary by the rearmament program. If the newspaper reports as to the nature of the taxes now being considered are accurate, I am opposed both to the manner of taxation that has been suggested and to the passing of any drastic tax law with such speed that there isn't plenty of time to examine the possible bad effects. If our understanding of the proposed taxation is correct, it would, in our case, be practically confiscatory.

There is probably no large howl in Washington yet against the proposed tax. I have found that small businessmen haven't read the newspaper reports very carefully. If, as, and when a drastic unfair law is enacted, there will be plenty of "howling."

I think I am in perfect sympathy with the idea that there should be no excess profiteering on the rearmament program. Any American would be opposed to the idea of creating a whole new crop of "war millionaires" as a result of the present emergency. No real American would want to capitalize on his Nation's present predicament. In bringing out a law to prevent such abuse, it is highly important, however, that the law be carefully framed so as not to destroy new or small American businesses which are not involved in the rearmament program.

Perhaps our business is typical of a small, new business that has nothing to do with rearmament. The fact that we have nothing to do with the rearmament is amply illustrated by the fact that as early as October 1938, when we were about a year old, we volunteered the facilities of our plant to the War Department, and were told that they could think of nothing that we could make to help them out.

Let's take a look at the history of our company and see how the proposed tax law would work out in our case. A little over 3 years ago, a few individuals started this business. We knew there would be plenty of obstacles, and there have been. But we had the typical American desire to own a business of our own. We were not rich men. We couldn't put a lot of money into the business. We had lucrative positions, but we left them to start this business, feeling that we could make up through hard work, diligence, and thrift whatever we might lack in capital.

We wanted to manufacture paper drinking cups. The first thing that we had to do was in itself somewhat risky. We had to hire engineers to develop the machinery, bearing in mind that the machinery and the product must both steer clear of a maze of prior patents. Naturally, when the engineers started to work, we had no idea as to whether or not they would be successful. We had to risk money to find out. Fortunately they were successful.

We had to go to the expense of protecting our project with patents, and we knew that the large, established companies in the industry would probably involve us in patent litigation in order to try to get rid of us. One of them has done so. They have involved us in continuous patent harassments. That costs us a lot of money, and until our position is cleared up, it means that our business is operating under certain unnatural risks.

We worked long hours in overcoming our many problems. We put in a great deal of extra time and a great deal of extra thought. We had to plan each move carefully. With a limited capital, we were entering into competition with "big fellows" who had plenty of capital, who had financed publicly before, and who could probably get publicly all of the additional capital they would ever need. We have developed this business. We now employ about 75 people. If the American Government will give us a chance, we will probably employ more as time goes on.

We have ambition to expand, to add new products to our line, and increase the sale of our present products. There is certainly nothing wrong or immoral about that—rearmament or no rearmament. It is the sort of an attitude that America has always striven to foster.

As we expand, we need money for developmental expenses, for new equipment, for supplies, and for financing sales. That money for expansion cannot come from the public. The public is not interested in small businesses like ours. Neither can it come from our present stockholders. They have invested in this business, already, enough to get it off to a good start. The funds for that expansion must come out of earnings. That's not unusual either. Americans have always expected businesses to grow that way.

Earnings must also provide suitable reserves for any possible business recessions, and for possible declines in profits due to changing conditions within our industry. If, through taxes, you take away most of our earnings, how are we going to survive the next bad period in business?

Perhaps even our financial history is typical. The first year we were in business, we lost money. The second year we made money, and the third year we did pretty well. Our average profit for the 3 years is nominal. We expected ultimately to exceed that average quite materially. Otherwise we would not have been justified in risking the time and money to start this new business.

During those 3 years we haven't paid any dividends. * * * We haven't been able to. The Government fared a lot better than that, however. While there were no income taxes during the year when we lost money, there were a lot of other taxes, including Federal taxes. While our stockholders have gotten no dividends, the Government—the American people—have received from us in the form of taxes, a substantial amount of money. We had to keep in the company whatever earnings we could accumulate. Our taxes during the first 3 years of operation were substantially equal to the retained earnings. Certainly we couldn't be accused of profiteering.

Now, there comes an emergency. We are willing to do our part in that emergency. Even if no new taxes were levied, our contribution would probably increase. The President has already told

us that his whole program is based upon an $80,000,000,000 national income. The rearmament program, therefore, would have to increase general business quite a bit before the Nation reached what the President has already stated is a normal level of business activity. If as a result of reaching that level, our paper-cup business increases, our regular income taxes will naturally increase, too. Our earnings could increase materially without our running the risk of being considered either plutocrats or profiteers.

Let's see how the proposed bases for the war-profits tax would apply to a business like ours. In the first place, we must concede the fact that our profits are not war profits, because we do not and cannot make war materials.

One base that has been suggested is the average earnings for 5 years. The aim of the legislation seems to be practically to preempt the profits above that point. In the first place, we haven't even been in business 5 years. If we must accept our average earnings for 3 years, that base is manifestly unfair. It includes the time when we were getting started, and certainly includes no normal years. If an average of 5 years' profits is to be considered normal, you have to take a business that is considerably older than 5 years, if you want to achieve a fair base. Some of our competitors have been in business for a great many years. Their businesses are more or less stabilized. If both they and we were to take the average profits for any given period as a base, naturally we'd be the ones who would be placed in an unfair position.

The second base that has been suggested is the return on invested capital. As I have previously pointed out, our invested capital was necessarily low. We had to make up for the deficiency with extra diligence and thrift; but we can't put those two factors in a balance sheet to arrive at a fair base for taxation. The return on our invested capital might seem high. The return on our extra effort has not been high. We are in a business where ideas are almost as important as machinery. Our selling job must be intensive, and necessarily expensive. Our plant investment can be relatively small, but a nominal return on that plant investment doesn't compensate us for the amount of work we have to do. We have to make our dollars as well as our people work more diligently. Even our inventories are probably low in comparison with our volume of business.

As contrasted with this, our big competitors have had years and years to build themselves up. They started accumulating assets and cash reserves even before corporate income-tax laws were first enacted. They don't have the problem of making dollars work harder. Their ratio of invested capital is probably much higher than ours. That means that in a small business like ours the odds are already against us. It also means that if you are going to prevent an autocracy of big business, you are going to have to make it possible for small concerns like ours to accumulate reserves out of earnings so as to stay in the competitive picture.

The question has also arisen as to what constitutes big profits. Newspaper reports seem to indicate that some Members of Congress consider any business that earns in excess of a very small sum of money to be a big business. Ours is not a big business—and it would not be whether we made $25,000, $50,000, or $100,000 a year. After all, those profits would have to be divided 15 or 20 ways. The average profits per investor would still be low, and the return on our invested energy would also be low.

I reiterate that I am in favor of the objectives of the proposed legislation. I am not in favor of profiteering on rearmament. I am in favor, however, of giving the small business a chance to exist and to expand. Unless you do that you remove the incentive to start small businesses, and you remove the incentive to keep them going. I realize that we must rearm, and that we must sacrifice to carry out that program. I don't feel that we should in the process "kill the goose that lays the golden egg." I feel that if the sacrifice unnecessarily involves the future of the many, many small businesses, that we may in the process of rearming destroy the freedom of opportunity which the rearmament program in itself is designed to defend.

I would appreciate your comments.

Very truly yours,

A. S. BOWES.

PASADENA, CALIF., *August 15, 1940.*

Hon. CARL HINSHAW,
Representative, Washington, D. C.

DEAR SIR: We have just been reading the report of the Subcommittee on Internal Revenue Taxation of the Committee on Ways and Means relative to excess-profits tax and special amortization. On page 4 of this report we read:

"Thus corporations which were in existence during the whole of the base period are allowed an optional method of computing the excess-profits credit, while those corporations which were in existence during only a part of the base period or which came into existence in 1940, or later, may compute their excess-profits credit only on the basis of invested capital."

This paragraph as written does not appear to us to give a fair break to a business which was operating during the entire base period, but operated during a portion of it as a copartnership and then transferred the partnership business to a corporation in a nontaxable reorganization without any revaluation of assets or any change whatsoever in the assets and liabilities, the only change being merely the transfer of the partnership interest to the corporation for stock. In other words the operations of the business were the same for the entire 4-year period, the only change being in the capital set-up, that is the change from a partnership form of doing business to a corporate form of doing business.

We would, therefore, suggest that the proposed excess-profits bill include in it a provision to take care of the above situation. Unless this is done we feel that our business would be unfairly penalized and undoubtedly there are a great many firms in the same situation.

We would appreciate your giving due consideration to the above problem, so that taxpayers who changed their capital structure during the base period but whose operations were otherwise the same, will not be prevented from having the option to choose the basis of computation of excess-profits taxes.

Yours very truly,

MARKET BASKET,
By R. W. CARLSON, *Secretary.*

Mr. CROWTHER. Mr. Chairman, I yield 15 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS of Ohio. Mr. Chairman, I agree with the statement of the gentleman from Kansas that it is quite likely that there are several members of the committee who are not especially happy over this bill. I am one. I am going further and say that no doubt there are many Members on both sides of the aisle who are not especially happy over the bill. The principal reason is that they do not understand it. This is a most difficult piece of legislation. No Member will claim that he understands it thoroughly.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. The gentleman is always so courteous that, although I have not gotten fairly started, I shall yield to him.

Mr. DISNEY. Is not the committee somewhat in the attitude of the sign which was placed over the piano in a dance hall in Dodge City in the roaring days, that stated, "Don't shoot the piano player, he is doing the best he can"? [Laughter.]

Mr. JENKINS of Ohio. I believe the gentleman's statement is very appropriate. I am not sure, however, that the taxpayers will be so considerate as the gunmen were of the piano player; they might shoot us when they realize what we have done to them.

At any rate, this bill was not prepared in the committee with the degree of pleasantness and unanimity that has been indicated here today. The committee considered this bill from every angle, and the bill was changed many times. The bill you have before you today, intricate as it is, is really a wonderful improvement over the first bill. We have improved it in many ways. It has gone through the crucible of discussion. I do not want to give all the credit to the Republicans on the committee for these improvements, because we are not entitled to all the credit, but we are entitled to a very large share of the credit. The theme song of everybody connected with the reformation of this bill was to make it more workable and more acceptable to the little taxpayer.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield to the distinguished gentleman from Massachusetts.

Mr. McCORMACK. May I make this observation in a friendy vein? As one member of the Committee on Ways and Means, I am very glad on any tax bill, with which nobody is satisfied—certainly I am not satisfied with any tax bill and neither is anyone else that I know of—to have my Republican friend and his colleagues take the credit if they want it.

Mr. PLUMLEY rose.

Mr. JENKINS of Ohio. Let me answer the gentleman, and than I shall be pleased to yield to the gentleman from Vermont [Mr. PLUMLEY].

I have said on this floor many times that we Republicans have to vote for every tax bill. Why? Because we are going to have to pay this colossal debt you new dealers have piled up. We have to start now. We just have to do that. We have $50,000,000,000 of debt, practically all of which the New Deal has piled upon us and that we have to pay. Who is going to pay it? The people are going to slide Franklin D. Roosevelt and his new dealers out on the 5th of November. These new dealers will probably look with considerable pleasure on the discomfiture of the Republicans

striving with bent backs to carry the tremendous load of debt which they accumulated on their New Deal honeymoon—that is the principal objection I have had with the New Deal. They have laughed at their capacity to fool the people while spending their billions. We Republicans appreciate the fact that we have got to pay, and we are going to pay, and we are going to start today. We have never been against any tax bill because we know that we have got to pay it, and the sooner we start the better. Does that answer satisfy the gentleman? [Laughter and applause.]

Mr. PLUMLEY and Mr. McCORMACK rose.

Mr. JENKINS of Ohio. I now must yield to the gentleman from Vermont.

Mr. PLUMLEY. I would like to ask the gentleman, notwithstanding his statement with respect to certain improvements which have been made in the bill, if I am incorrect in my assumption that inasmuch as no amendment to it can be made here, they will have to be made somewhere else in order to make it possible for the bill to effectuate its intent and purpose.

Mr. JENKINS of Ohio. I think the gentleman is absolutely right.

Of course, we cannot expect to prepare and pass a perfect bill, as our distinguished chairman said, but if I had it as my task to prepare, of course, I would make some changes in it. If the gentleman is asking for my own opinion, and I respect the gentleman's opinion because he is one of the tax experts of this Nation, and his long experience in tax matters has made him an expert, I would have come here with a bill providing for this amortization program and providing for the suspension of the Vinson-Trammell Act, and then I would have taken more time to consider that part of the bill which deals with the excess-profits tax.

The tax will not be collected until next March and there is no special hurry about it. We had better wait until we have time to do this job scientifically. We had better wait to see whether or not we are going to have any real excess profits. In addition, I should want you to understand this: The most intricate tax bill possible to prepare is an excess-profits tax bill. Why do I say that? We have had only one of them in my recollection and I do not recall when we have had any other, but an excess-profits tax is a tax that necessarily ought to be applied only in emergency cases. It is a punitive tax and in theory it is not intended to produce much revenue but is intended to be a deterrent against high-pressured business tactics. It should be levied carefully and only in emergencies.

With respect to the battle we had in the Ways and Means Committee with reference to the protection of the small taxpayer, I want to reiterate that we as Republicans do not claim all the credit, but we do claim credit for having done some things to this bill for the benefit of the small taxpayer.

Now, what did we do? I have not time to go into the details about that, but here is one thing we did. We raised a general tax exemption from 6 to 7 percent, which is a 1-percent advantage. Let me illustrate. We permit a corporation to earn 7 percent instead of 6 before the tax is applied. This means much to all corporations, especially the small one.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. In just a moment.

Mr. McCORMACK. Who made the motion?

Mr. JENKINS of Ohio. The gentleman from Massachusetts made the motion, and let me tell you this. At the time the gentleman from Massachusetts made the motion he incorporated with it a reduction in the $5,000 exemption, which was greatly to the disadvantage of the little taxpayer. The gentleman's motion would have been very satisfactory if he had not done that. He cannot claim to be a friend of the little taxpayer now, because his motion contained a provision to cut the exemption down from $5,000 to $4,000. Does the gentleman want to ask me another question? [Laughter.]

Mr. McCORMACK. The gentleman from Ohio, of course, is so serious minded that he is incapable of distinguishing between what is a friendly vein and a serious vein, and the gentleman is to be complimented for having a serious state of mind. The gentleman says that the reduction from $5,000 to $4,000——

Mr. JENKINS of Ohio. Is the gentleman going to ask me a question or make a speech?

Mr. McCORMACK. The gentleman spoke about the reduction from $5,000 to $4,000. As a matter of fact, my motion was to increase from 6 percent to 7 percent on the first $500,000 of capital invested and from 4 to 5 percent above that, which is of invaluable assistance to all business, and a reduction from five to four, which was incorporated so we would not lose $35,000,000 of revenue and in order to accomplish the greatest good and the gentleman knows that. Later, we all agreed unanimously to return to the $5,000 exemption.

Mr. JENKINS of Ohio. Yes; but, my friend, I wish you had never made that reduction from five to four. That was fatal and I will never forgive you for that. Bless your life, I love you, but I cannot forgive you for that.

Mr. McCORMACK. By that the gentleman means he will forgive, but not forget.

Mr. JENKINS of Ohio. Yes; that is right. The gentleman knows I have great respect for him and for his ability.

Mr. McCORMACK. That is better.

Mr. JENKINS of Ohio. Now, what else were we able to do? Let us follow this through. There was one other proposition we were able to carry through for the benefit of the small taxpayer and that was a real benefit, but I cannot explain that to you now in detail as I do not have the time, but here in effect is what we did.

We provide for this sort of increase. For instance, the tax we had in the original bill was a percentage tax that would run the same on the big taxpayer as the small one. The gradations were fewer and more abrupt. Under the present bill the gradations are in certain number of dollars and not in percentage. The result is that most of the small companies, because they are small, will have a small total of earnings although they might have a large percentage of earnings. For instance, a $100,000 corporation with a 20-percent earning will only have $20,000 in earnings; and if the lowest bracket is fixed at $20,000, the rate of tax will be the lowest possible rate. While, on the other hand, a $1,000,000 corporation, earning 20 percent, will have a total earning of $200,000. The first $20,000 of this will carry the smallest tax, but the remainder will be at a much higher rate. In large earnings the tax will run up to as much as 50 percent; in small companies it will not, because the earnings will never be large enough to get out of the lower brackets. This is a tremendous lift to the small companies. I know of a case in Cleveland, Ohio, for instance, where, under the first bill, 60 percent or more of the earnings of a small company would have been taken; but, under the present bill, a more just arrangement is provided.

Now, I have had brought here a blackboard. Many of you are old school teachers, and this will seem natural to you. When I was a young fellow I was a school teacher, and I wish I was half as good a Congressman as I was a school teacher. Let us look into this matter more closely by the use of figures.

We may be able to go through with this. I do not offer this as a matter of elucidation to the tax experts. I do not offer it as any enlightenment for the gentleman from Massachusetts [Mr. McCORMACK], because he is far above that. He is in the algebra class. This is very elementary and for the elementary students. But I think probably some of you would not feel slighted if I suggested quietly that you may not know much about this bill, and if you are in that class you are welcome to listen to what I have to say from now on, for I confess I do not know much about it either. You see, we have here on this blackboard two groups of figures, as it were. Each represents an example of a method of levying this excess-profits tax. One method is known as the average-earning method, and the other is known as the invested-capital method. Now, suppose I start with an incorporated company of $100,000. That is a large corporation

in many places, but, generally speaking, for tax purposes it is a small corporation. Now, let us follow these figures through. I appreciate that what I say will not read well in the RECORD, for gestures and pointings are not recorded by the reporter. The bill provides what they call a base. This is just as important in this computation as is home base for a baseball player. That is the most important base in a ball game.

Now, here we start with the year 1936. Suppose this corporation made $15,000 in 1936; $15,000 in 1937; $10,000 in 1938; $20,000 in 1939; and $25,000 in 1940. The total of those first four is $60,000. Divided by four the average is $15,000. You may ask what would result in case there is a loss in 1 or 2 of those years. That would be interesting for me to develop but I cannot stop for that now.

Now, let us see how that works out. We would have to figure first what would be the average taxation that this taxpayer had made on these different payments. I have not figured it out exactly. I have estimated it at $2,000. The tax experts say that is about it. Let us take it at $2,000. Very well. We take that off the average base, and that leaves $13,000 as the base on which all these other computations will be made.

Now, I come over here to 1940. We are going to figure how much this corporation will have to pay in 1940. As we have already shown, it is going to make $25,000. The estimated normal income tax it would have to pay on $25,000, the regular corporation tax, let us say about $3,000. Deducting that amount from the $25,000 there remains $22,000.

From the $22,000 earnings, which is all it has left after deducting the normal tax, take this $13,000 base, and this leaves excess profits of $9,000. That is what it has to pay on. That is his excess profits. Every corporation is allowed $5,000, the small ones the same as the large ones, and the large one no more than the small one. That is why I say the $5,000 is the most precious figure in these whole computations to the small taxpayer, because he gets the same as the large one. Deducting $5,000 from $9,000, you have $4,000 upon which you are going to compute the tax. Four thousand dollars at 25 percent. That is the lowest bracket. Four thousand dollars is in the lowest bracket. All under $20,000 goes into that first bracket. Most all small corporations will come within the lowest bracket. These bracket figures run up from 25 percent to 50 percent. The large corporations with a large volume of income will come under the large brackets; many will come in the 50-percent class; while most of the small ones will get the lower figure—25 percent of $4,000, that is, $1,000.

Now, what more must the little man pay? Anyone who decides to pay his tax under the average-earnings method of computation has to go back and deduct 4.1 percent of his net earnings, or in this case 4.1 percent of $25,000; this is about $1,000. You will wonder why that 4.1 percent. The effective rate of normal tax on corporations at the present time is 20.9 percent. In order to make it even 25, they add this 4.1 percent. They estimate that the average-earnings method has about a 4.1 percent more favorable result than the other method. This $1,000 from the 4.1-percent addition taken with the other $1,000 on the $4,000 above shown makes a total excess-profits tax of $2,000. That is approximately what the taxpayer will pay according to this example.

Now let me proceed to this group of calculations over here. This is the invested-capital method. We start with a $100,000 corporation just as we did before. This illustration is more intricate. We will take the same earnings exactly—$15,000 for 1936, $15,000 for 1937, $10,000 for 1938, $20,000 for 1939, and $25,000 for 1940. That will be an average of $15,000, or an average of 15-percent profit. This bill allows for a 10-percent average, or in this case $10,000. This is the base. If the earnings had only averaged 8 percent, the base would have been $8,000, or 4 percent would have been $4,000; but 10 percent is the limit allowed. But I have worked this illustration out just as I have the other one. Since 10 percent is all that is allowed, I discard the $15,000 and accept $10,000 as a base.

Starting with net earnings for 1940 of $25,000 we take off $3,000 for estimated normal tax, the same as I did in the other case. That leaves $22,000. Take off the $10,000 base that the law permits and I figure out there remains $12,000. When we will come to actual practice in these computations we will not have easy figures like these to work with. I have selected easy figures, and given the easiest possible illustration. Should you have as an actual case a company which, for illustration, lost $5,000 in 1936 and $10,000 in 1937, you would have a much lower base and more difficult computations. And should you have a case where a corporation had not been formed in 1936 or 1937 or 1938, or if you had a case where company A was formed in 1936 and lost money through 1937 and was then merged into company B, which had been incorporated in 1938 and had made money in 1938 but lost money in 1939, you would be in trouble. Changes like these could be a ceaseless, endless, difficult task.

Now, let us go back to our calculations. Here is the $10,000 base; $12,000 excess-profits tax. The taxpayer is entitled to a $5,000 exemption. Take this from the $12,000 and we have $7,000 to work on. I only had $4,000 in the other illustration.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. CROWTHER. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. JENKINS of Ohio. As I have just shown, $5,000 from $12,000 leaves $7,000. I take the same computation here as I did there. If you will notice in the first illustration, we computed this tax in the lowest bracket, which is 25 percent. Computing the tax under this invested-capital method, the lowest bracket is 20 percent; 20 percent of $7,000 makes $1,400. On this kind of a set-up it will be better, for this taxpayer to select this invested-capital method. But in a slightly different set-up of profits and losses the other method might prove better to the taxpayer. That is the reason that we provided in the bill that the taxpayer should have the right to select which method he should follow in computing his tax.

As I have stated, the difference between $1,400 and $2,000 represents why a choice is desirable. But, generally speaking, it is better to take this system of average earnings.

It is likely that this is the system that the big corporations will take, for they have all had enough business to show a little profit in the last 4 years, and for that reason they will have a larger base than if they had been losing money, as did most small corporations. The higher the base the better the advantage. So the higher the base the more acceptable the average-earnings method is, and that is the reason this will be generally the most acceptable to the large corporations. But the new corporations which have not been in business for 4 years will have no choice. They must take the invested-capital method. The representative of the Secretary of the Treasury who appeared as an expert before the Ways and Means Committee admitted that under the first bill proposed the burden of this excess-profits tax would fall on the small corporations and on the new corporations. Under the present bill, they still are to some disadvantage, but this bill will raise more money and the increase will come largely from the large corporations.

Most of the complaint against this bill is now coming from the big taxpayers. To compel the burden to be carried by the small corporations was not right. It was wrong; we opposed it, and it was changed. It is not yet, however, a model tax bill, but you can go home and tell your small taxpayers that an honest and positive effort has been made to relieve the injustices of the first bill. This bill which we are now considering is considered reasonably fair by both sides; and that is the reason there was a unanimous report by the committee, because we feel the best has been done for the most deserving. [Applause.]

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. JENKINS of Ohio. I yield if my time has not expired.

Mr. McCORMACK. I was very much interested in the diagram the gentleman has presented on the blackboard. It is a very good picture. I was wondering if my friend deducted from the excess profits, the amount $12,000 subject to the excess-profits tax in the upper illustration, the normal tax the corporation had paid which, of course, is a deductible item?

Mr. JENKINS of Ohio. I have here, I think; yes.

Mr. McCORMACK. I mean the normal tax would be taken as a deduction from the amount subject to the excess-profits tax.

Mr. JENKINS of Ohio. I have made this deduction to cover these. I make it down here.

Mr. McCORMACK. Of course, that would determine the base, but that $2,000 paid would be deductible from the $12,000 also. It is a deductible item, as I understand it.

Mr. JENKINS of Ohio. I think, I will say to the gentleman from Massachusetts [Mr. McCORMACK] that this computation is correct. While I do not claim to be a great expert on these complicated computations, I think these illustrations are proper. After I had prepared these computations I had three of our experts look over them, and they declared that they were correct. Of course, you will notice that I have indicated where I have made estimates. If any of the Members would flatter my efforts by wishing to copy my computations, I emphasize the fact that where I have indicated estimates the figures should be accepted as estimates.

Mr. McCORMACK. But it would be deductible anyway.

Mr. JENKINS of Ohio. I thank the gentleman from Massachusetts [Mr. McCORMACK] and I hope he will find my figures correct. [Applause.]

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield such time as he may desire to the gentleman from Idaho [Mr. DWORSHAK].

Mr. DWORSHAK. Mr. Chairman, I protest against the passage of this bill under the rule which has been adopted here. This rule precludes consideration of a measure that is so far-reaching in its effect that it may be utterly destructive to many business corporations, whose continued production is absolutely necessary to our national defense.

This bill is brought into the House on the theory that it constitutes a tax upon excess profits, and it has been heralded that this is the crowning effort of this administration to prevent the making of war millionaires or of defense millionaires. I am as much opposed to profiteering by business as any Member, and I will support a measure which not only taxes excess profits which are really excessive profits, but will go further and say that I will support a measure which will make it impossible to make excessive profits on national-defense orders.

This bill, however, does nothing of the kind and it fails in this respect, because it does not properly fix the base for what may be called normal profits. Under the provisions of this bill, corporations which during the past 4 years have struggled to keep in operation and furnish employment would be penalized.

If we take the position that the last 4 years were normal years in business and the profits made by corporations were normal profits, why then does this bill penalize the corporation which takes this as a base by adding an additional 4.1 percent to the normal corporation tax for such concerns? This is clearly an attempt to blackjack all corporations into selecting the other base permitted, that of a certain average profit upon invested capital. I should like to have the chairman of this committee tell me if the committee has any estimate whatever as to the additional cost to the Government of collecting this tax in the event that all corporations select the second method and the Bureau becomes involved in endless argument over what constitutes invested capital of the reporting corporations. The effect of using this base will be to penalize corporations which do not make any larger profits than the average profits of the past 4 years. When you consider the fact that unquestionably costs will be higher and profits correspondingly less because of that fact, you can readily see that the selection of this base will actually impose a penalty upon corporations which are not enjoying excessive profits, but in reality are not making as much money as the average of the past 4 years.

I protest against a bill of this kind so ambiguous and involved that it is difficult to explain. I challenge this bill because it is not an excess-profits tax bill but a bill designed to further a political proposal of making it appear that this administration is seeking to do something that is not accomplished by its terms.

This bill embraces the amortization feature and the suspension of the Vinson-Trammell Act profit restrictions, which should be segregated from the bill and acted upon without any delay. To tie them up with this involved controversial, discriminatory, unintelligible measure which we are here asked to pass today without any possible opportunity for adequate study and understanding is a travesty upon the processes of orderly government.

Mr. CROWTHER. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. LELAND M. FORD].

Mr. LELAND M. FORD. Mr. Chairman, I believe I am the only man in the House who is against this bill. Unfortunately, I can get only 5 minutes to talk against it. One hour and fifty-five minutes were allowed to those for it.

The title of this bill reads: "To Provide Revenue, and for Other Purposes." It provides comparatively little revenue. What the other purposes may be I do not know, but it is my opinion it is going to harass and injure an already overtaxed and overregulated business. It is going to dissipate the very thing we have been trying to accomplish here for months; namely, quick production and a defense program. It is going to take away inducement, the thing that impels businessmen to go ahead and accomplish a program. Why cannot business be left alone under the ordinary American way to go ahead and produce as it has always produced?

This bill is brought to us under a "gag" rule. I particularly resent the "gag" rule not only on this bill but on any other bill. We heard the statement made here today that this bill should be sent over to the body at the other end of the Capitol because they might put some things in the bill that should be put into it. Have we abdicated? Have we as a House of Representatives, thrown our responsibility to the winds? If there are other things that should be in the bill and we know it let us face our responsibility and write the bill as it should be written. I do not like this procedure. It is a wrongful procedure.

We could not get any copies of the bill. I understand there were 4 secret copies of the bill known as committee copies but the committee copies were not offered to the public nor to Members of this House. I did not get any copy. I like to look over a bill I have got to act on in order that I may study it and know what I am to consider.

The gentleman from Ohio said there were many who did not understand the bill. I believe he is right. I believe about 90 percent of the Members do not understand this bill or know what is in it; and, under the "gag" rule, unfortunately, we are not going to be permitted to find out what it is all about because we are not given proper time for discussion. I think this is the most undemocratic procedure that could be foisted upon a body of this kind. My people did not send me here to have somebody slip me a blank piece of paper to vote for something that may be written on the paper which I am not allowed to see. I want time to examine this bill. We should have adequate time in which to consider it and then be allowed to take the parts of the bill that should be carried out at the present time and enact them into law, leaving those parts such as the excess-profits provision until later, until it can be given careful consideration.

This bill was conceived in speed and was born in a hurry. I think the result will be the slow assassination of business. The bill should be thoroughly analyzed. Business has already taken an awful whipping and an awful beating from the Government. The Government has business punch drunk and groggy from ill-considered, ill-conceived, hurried, and

impractical legislation, regulation, and taxation. The Government had to come to this same business asking for help for this program and it should and will get it, but it will not get it if it is going to destroy business. It has taken incentive out of business for doing business.

With reference to the revenue part of this bill, I am going to make some suggestions, briefly, four. I think the time has come to do several things. One, quit taxing our people beyond their ability to pay. You will note I stated in the RECORD a short time ago that 22 utilities were now paying 99 percent of their net income in taxes. That is what I mean by ability of a taxpayer to pay. Two, quit wasting the tax money that you are already collecting. Three, cut out all the unreasonable, undesirable, unnecessary, and socialistic functions of government in which you have been engaging and indulging; and, four, to go back, recheck, and reconstruct our whole financial structure, cutting out some of the following items, which will add up to $3,953,000,000; save this money and pass it on to the taxpayers and do not raise taxes. If you do that this particular tax bill will not be necessary.

Some of the suggestions I am going to make about saving this money I will point out, as follows, and this is from a statement of receipts and expenditures of the Government furnished me by the Treasury Department: Agricultural Adjustment, $937,000,000 estimated 1940. You may not cut it all out, but you could cut some of it out. Social Security, $378,000,000. I do not think it is necessary to build up such a tremendous reserve. Other expenses: Commodity Credit losses, and so forth, one hundred and seventy million; Tennessee Valley Authority, forty-one million; employment relief-direct relief, ninety-five million; work relief—W. P. A., and so forth—one thousand five hundred and thirty-two million. These large amounts on relief should not be as high in face of all the new additional work being done; loans, subscriptions to stock, and so forth, net two hundred and sixty-three million; old-age reserve account, five hundred and thirty-seven million. These items should be greatly curtailed and some entirely cut out. It is necessary now that we not only have a real national-defense program, but also to preserve our economic structure. Our greatest weakness in national defense is the money we owe. The money we owe also affects our economic structure. If we are to save these things we must cut out wasting money and spending unnecessary money; then we will not have to call on our people for more taxes.

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. HULL].

Mr. HULL. Mr. Chairman, here is a measure consisting of 105 pages which is brought to the House to be passed in 2 hours. It is accompanied by a report consisting of 45 pages. In the 2-hour discussion there will be just a little more than 1 minute allowed for every page of this important bill. I received a copy of this bill just about 20 minutes before the matter came up. I was among those who voted against the "gag" rule, as I have voted against every "gag" rule. While I shall vote for the measure because I heartily believe in the excess-profits tax feature of it, I do protest that kind of procedure in what is supposed to be a deliberative body. I do not know whether or not the excess-profits taxes proposed are sufficient. Nobody knows how many loopholes there may be in this measure. It does seem to me that many people might make large fortunes out of the profits from defense preparations, either directly or indirectly, and get away with it.

I am opposed to what I regard as the double-amortization feature of this bill, which would not only permit, under the laws which we previously passed here, the adding of the cost of facilities and equipment to the contract price which these industries may receive for manufacturing materials needed at this time, but also after it is all over with they can come back in under a very loose system and charge up still more for amortization. I do not like that feature of the bill which does away with the provisions of the Vinson-Trammell Act. I have but limited time to speak on the measure, but it does seem to be that days rather than 2 hours should be given to its consideration.

[Here the gavel fell.]

Mr. CROWTHER. Mr. Chairman, I yield 2 minutes to the gentleman from Rhode Island [Mr. SANDAGER].

Mr. SANDAGER. Mr. Chairman, like many other Members of the House, I deplore the speed with which the excess-profits tax bill is scheduled to be rushed through today. Why this unseemly haste? What reason is there for this scramble to set up the nets to trap the war profits which the administration so confidently expects will be made, particularly when it is realized that a vast bulk of contracts under the 1940 appropriations of Congress for the Army and Navy are yet to be awarded?

So complicated is the language of this measure, so hurriedly has it been thrown together that I doubt if any member of the Committee on Ways and Means could fully explain it to the House. I say this because I have talked to several of them and have asked them direct questions on certain phases of the measure with particular relation to the effect that it would have on industries in my State, particularly in the textile industry, and the replies range from a flat and frank "I don't know" to such lucid suggestions as "read the bill through carefully" or "study the committee report."

I have endeavored to follow both of these latter suggestions, and I must confess that I share what seems to be the common mystification of the House Members as to what it all means. One committeeman frankly admitted that the bill was being put through under forced draft, but hoped that as a result of Senate hearings a more palatable revision might be possible. The only objection to that ray of comfort for the American businessman is that, according to reports, the Senate hearings will be limited to 3 days, and it hardly seems credible that in such a short space of time there would be an opportunity for much improvement over the "lamb's stew" which is before us today.

If the committee members, who have devoted many days to framing this legislation, do not understand its provisions, which they frankly admit, how can we expect businessmen who have not had the benefit of advice from a staff of technical experts to determine what their tax liabilities are under this measure?

Furthermore, it is a known fact that the Treasury Department has not made definite settlement of income-tax returns beyond the year 1936 in the case of many corporations which will be directly affected by this bill. This measure in no respect embodies the provisions which businessmen were led to believe would be offered by the subcommittee report on which hearings were held. In addition, it does not appear that a single recommendation which was offered by businessmen at the joint hearings of the House and Senate committees was incorporated in this bill.

This is bound to create confusion, uncertainty, and misgivings in the minds of corporation heads from coast to coast, and particularly business concernes which do not have before them the more or less consoling expectancy of war profits. This is particularly true of the textile industry, which for a century and more was the bulwark of Rhode Island's industrial set-up, but which has been sick ever since 1922. I greatly fear that we are unwittingly placing upon this industry, which is striving pluckily to keep its head above water, tax burdens which may force some of the mills to close their doors and throw into the streets their thousands of weavers, thus adding to unemployment, with consequent cost of relief maintenance, and, of course, ending all hope of tax revenue from these sources.

There are two features of the bill that I wish particularly to discuss in their relation to textiles. They are, first, the matter of the excess-profits credit, and secondly, the matter of consolidated returns.

EXCESS-PROFITS CREDIT

A. Application to textile industry

In its report, the subcommittee recommends that in the case where the taxpayer corporation was in existence during the whole of the base period—the years 1936 to 1939, inclusive—it be given an election of either of the following methods of computing its excess-profits credit.

(a) It may take as a credit against its net income for the taxable year its average earnings for the base period. The amount so arrived at shall be increased by 8 percent of the additions to capital occurring after the beginning of the taxpayer's first taxable year under the excess-profits tax, and decreased by 6 percent of reductions in capital during the same period; or

(b) It may take as such credit an amount equal to the percentage of its invested capital for the taxable year which its earnings during the base period bears to its invested capital for the base period, but not to exceed 10 percent or be less than 5 percent. With respect to the first $500,000 of invested capital in the taxable year, the minimum is 7 percent instead of 5 percent.

A few days ago several textile concerns with plants located in Rhode Island and Connecticut submitted to me a statement from which it appeared that during the base period from 1936 to 1939, inclusive, none of the companies had earned a profit, so that the excess-profits credit for these companies would be computed according to the second method recommended by the subcommittee. The ratio of the specific exemption and excess-profits credit to the invested capital of these companies ranged from a low of 4.18 percent to a high of 4.45 percent.

Accompanying the statement submitted was a table prepared by Arthur N. Sheldon, of Providence, R. I., one of the leading textile-mill engineers of the country, from which it appeared that the experience of these companies was not exceptional in the textile industry. This table covered a period beginning with the year 1928 and ending with the year 1939, and contained a study of a number of representative textile companies located principally in New England. The companies studied range from a minimum of 33 in 1939 to a maximum of 53 in 1931. During this entire period of 12 years the entire group of companies studied showed an aggregate net loss of $55,859,086.

During the 4 years from 1936 to 1939, inclusive—the base period recommended in the subcommittee's report—the companies studied showed an aggregate net loss of $1,026,364.

I submit that the proposed allowance as an excess-profits credit of approximately 5 percent of invested capital in the case of the major portion of an industry subject to such obvious hazards as the textile industry and crippled as it is by the tremendous losses suffered in the past decade is wholly inadequate.

It is generally known that the textile industry in New England has for some years been on the verge of complete collapse. This industry constitutes one of the principal industries of New England, and in the case of Rhode Island it constitutes at least half of the total industry of the State. During the past decade mill after mill throughout New England has been closed, never to open again, and numbers of mills have been torn down to relieve the owners of the burden of local taxation on plants that were no longer operated.

To limit the excess-profits credit for this sick industry, or the major portion of it, to 5 percent of invested capital is to ignore the conditions above described and to deprive the companies in the industry from being restored through reasonable profits to a sound financial basis.

It should be noted that the allowance of a certain percentage of borrowed money as a part of invested capital is probably not, in the great majority of cases in the textile industry, a relief but is rather a burden, for the reason that many companies are paying more than 4-percent interest on borrowed money. This is naturally to be expected in the case of an industry with the poor record of earnings and the hazards which the textile industry has. The remedy for this would be to increase the rate of the excess-profits credit above the 5 percent allowed in the subcommittee's report.

The subcommittee's report allows a rate of 8 percent of invested capital to corporations which were not in existence during the base period. It is difficult to see why at least as great a rate should not be allowed to corporations which were in existence during that period. As a matter of fact, there would appear to be even greater reason for allowing as large a rate to such corporations because of the crippled condition in which most of them find themselves as a result of the large losses suffered during the past decade.

Under the 1918 law the excess-profits credit was 8 percent. At that time the industries of the country had not been through a long period of depression, as is the case at the present time. Moreover, the present income-tax rate is 20.9 percent, whereas under the 1918 act the rate was but 12 percent. If 8 percent was a reasonable rate for the excess-profits credit in 1918, it would seem that a flat rate of 10 percent is fully justified at the present time. In no event should it be less than 8 percent.

B. General observations

The object to be attained through any tax legislation is to produce revenue. The higher rate does not necessarily produce the greater revenue. In fact, the contrary is the case where the rate is excessive.

The allowance of a rate of 8 or 10 percent on invested capital is going to make comparatively little difference in the Government's revenue during the early life of the act, and through the encouragement of private investment and the stimulation of industry it should eventually lead to substantially greater revenue than a lower rate of exemption.

The Federal deficit during the last fiscal year, ended June 30, 1940, was $3,741,249,136. Even with the additional revenue of $1,000,000,000 per annum which it is estimated will be produced by the Revenue Act of 1940, approved June 25, 1940, and the added revenue of from $190,000,000 to $400,000,000 per annum which it is estimated will be produced by the proposed Excess Profits Tax Act now under consideration, there would still be a deficit of about $2,500,000,000 on the basis of the expenditures for the last fiscal year, despite the fact that the personal-income tax rates have now been raised to a maximum of 86.9 percent and the corporation income-tax rates to 20.9 percent, the highest income-tax rates in the history of the country.

An increase in tax rates is obviously not the solution. The solution lies rather in first, a reduction of expenditures through the elimination of all expenditures for nonessential purposes, and the keeping of all appropriations for purposes other than national defense within the lowest limits required by the actual necessities of the situation and second, a large increase in our national income through the stimulation of private enterprise by allowing business to make a reasonable profit.

In 1929 the national income was $81,000,000,000. In 1939 it was but $69,000,000,000, despite the fact that there had been an increase in population of approximately 10,000,000 people between those 2 years. There is no reason to believe that a national income of $100,000,000,000 could not be produced if the existing restrictive laws and regulations which harass and hamper business were amended or repealed and business were assured that reasonable profits would not be denied it through excessive and confiscatory taxation. Such action would put back to work the millions of unemployed who are capable of working, and would greatly benefit agriculture as well as industry. The result would be a great reduction in the relief load and in the sums required for such purposes as public works and the A. A. A., with very large savings resulting. In addition, the greater national income which would result from the increase in business would produce a much larger national revenue through a lower tax rate applied to a higher base. Is it not obvious that this is the course to be followed?

C. Conclusion

In these circumstances, and for the reasons already given, I submit that an excess-profits credit of not less than 8 percent, and preferably 10 percent, of invested capital should be allowed.

More specifically, I submit that a corporation should be allowed the following excess-profits credit:

A specific exemption of $5,000, and in addition an amount equal to the average annual earnings of the corporation during the base period, plus 10 percent of any increase and minus 10 percent of any decrease in invested capital for

the taxable year as compared with the average invested capital for the base period, the credit, however, in any event to be not less than 10 percent of the corporation's invested capital for the taxable year. I suggest also that the base period be any 3 of the 4 years from 1936 to 1939, inclusive, which the taxpayer may select. The variation in results of those 4 years was such that a more nearly normal income in most industries would be obtained by allowing a corporation to choose 3 out of the 4 years.

II. CONSOLIDATED RETURNS

Affiliated corporations should be permitted to file consolidated returns. The activities in which corporations must necessarily engage in order properly to carry out the defense program are likely to make it at least desirable, if not necessary, to organize separate corporations for these various activities. Corporations, however, will undoubtedly attempt to continue business with their existing organizations if they know that profits of one organization may be taxed without the right to deduct the losses of another branch of the same business, which is separately incorporated. On the other hand, if consolidated returns are neither permitted nor required, businesses which are really a single unit may split up into various units in order to get an increased benefit from exemptions. This would be particularly true if the subcommittee plan of exemptions at one rate up to $500,000 of invested capital and a smaller rate above $500,000 should be adopted. In short, the treatment as a single tax unit of corporations which in fact constitute a single business enterprise is both theoretically and practically sound and will accomplish justice and prevent tax avoidance. [Applause.]

Mr. COOPER. Mr. Chairman, I yield 1 minute to the gentleman from California [Mr. BUCK].

Mr. BUCK. Mr. Chairman, had it been possible under the rule, I would have offered the following amendment:

Page 37, after line 17, insert a new section, as follows:

"SEC. 725. Corporations engaged in mining of gold, etc.: In the case of any corporation engaged in the mining of gold, or of any strategic or critical mineral, the portion of the adjusted excess-profits net income attributable to such mining shall be exempt from the tax imposed by this subchapter. The tax on the remaining portion of such adjusted excess-profits net income shall be an amount which bears the same ratio to the tax computed without regard to this section as such remaining portion bears to the entire adjusted excess-profits net income."

I have a sincere conviction that income from corporations which are engaged in the mining of gold the price of which is fixed by Presidential regulation under law and which commodity must be sold only to the United States Government, and income derived from strategic and critical minerals needed for defense purposes are such income as cannot be considered under any circumstances as profiteering income.

For that reason I offered the amendment I have just read in executive session of the Ways and Means Committee. I regret to say that it was not approved, but I think it should be presented to this committee. I do not think that the rejection of the amendment was due to any haste that our legislative committee displayed, but, if I may say so respectfully with regard to my colleagues, to a lack of understanding as to the gold-mining situation.

I shall confine my remarks to the gold-mining situation, but there is no question in my mind that corporations engaged in production of strategic and critical minerals are in the same position.

As to gold, it takes small operators a year or two at least before they get started, whether they are engaged in gold dredging or direct mining. Costs are expensive and there is delay involved in moving from one location to another. Mining gives a great many people work and they, in turn, consume ordinary products. Smaller miners seem to be worrying quite a bit over this situation.

The deep-vein miner who does not do at least 2-years work of development ahead thinks he would go to the dogs quickly if he did not keep up that character of work. Naturally that is the best assurance that men will be kept at work, machinery purchased, and the orderly processes kept rolling no matter what the output of the mining is.

Preliminary work, investment in machinery equipment, the probable rise in labor costs as a result of the defense program all must be taken into consideration. It is absolutely true that very few gold mines pay dividends. The Treasury Department cited examples of four large corporations that were making profits on the present basis but they are not representative.

Whether they were or not, however, is beside the question because the Federal Government should not levy an excess-profits tax on any commodity which it directly regulates as to price and as to which it gives no subsidy.

The price of gold is fixed by Presidential regulation under law and costs of labor are more or less fixed by law under the Wage and Hour Act. Where, then, can be the excess profits that should be taxed? That there may be profits is unquestionable, and under the present law, unless the amendment that I have proposed is adopted, they will be taxed, but they will not be excess, in view of the fact that the Federal Government itself has laid down already the formula on which they may now be earned.

Mr. Chairman, I realize that under existing circumstances it is useless for me to debate the matter further, and with the consent of the House I have extended my remarks on this subject in the hope that action in this respect may be taken in the other body.

Mr. COOPER. Mr. Chairman, I yield the remainder of the time to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Chairman, during the course of the remarks of my distinguished friend the gentleman from Ohio [Mr. JENKINS], the gentleman and I engaged in a colloquy. The gentleman reacted in a way that is usual for him, as this fine colleague of ours, being born serious, naturally has to react to everything in a serious manner.

During the course of his remarks he made some reference to a motion made by me in committee, for which I assume the responsibility, and he unintentionally created an erroneous impression. The gentleman undertook to claim the credit for the Republican members. They are entitled to all the credit in the world for increasing the exemption from 6 to 7 percent and from 4 to 5 percent. This increase means a lot to business. All the members are entitled to credit for the increase. It happened that I made the motion in the committee. I should like to have gone a little higher. Six and eight percent is what I should like to have gone to, but every percent we increased it meant a loss of about $35,000,000. In order to offset that loss, I linked up with the motion the additional suggestion to decrease the specific exemption from $5,000 to $4,000. As a matter of fact, that is where it would do the least harm. This does not necessarily mean that I did not want the $5,000 specific exemption, but in order to get through what I considered necessary to accomplish the greatest amount of good both were linked up so that we would have no loss of revenue. Fortunately, we are able to have the $5,000 specific exemption, which was adopted by unanimous action.

Mr. JENKINS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Ohio.

Mr. JENKINS of Ohio. The gentleman deserves a good deal of credit for his effort to raise this to 7 percent. I wish to ask the gentleman if it is not true that the distinguished ranking minority member of the committee, the gentleman from Massachusetts [Mr. TREADWAY], from the beginning as a representative of the Republicans insisted that that should be raised to 10 percent.

Mr. McCORMACK. Certainly. I do not know that he wanted to raise it to 10 percent, and I do not believe we want to put him in that position, but I do think it was 8 percent. However, everyone is entitled to credit. As a matter of fact, it is a fine example of representative government that an important committee like this, on a far-reaching bill, can report the bill to the House unanimously. It is a great example to the country of what real, constructive, representative government means, when men of different political

parties, sitting around the table, take off their coats, as we might term it, and get to work in order to bring out a bill that fairly accomplishes the objective we have in mind.

Mr. JOHNS. Mr. Chairman, will the gentleman yield?

Mr. McCORMACK. I yield to the gentleman from Wisconsin.

Mr. JOHNS. The President, on July 1, 1940, in his message asked that an excess-profits tax be applied to all individuals and all corporate organizations without discrimination. I see this bill relates only to corporations.

Mr. McCORMACK. The gentleman is correct.

Mr. JOHNS. Has the committee in mind another bill relating to individuals?

Mr. McCORMACK. No. The reason is that the present income-taxes for individuals go up, with the normal and the surtax rates, to 70 percent. In the World War, of course, rates were considerably lower than that. You have to take into consideration in formulating an excess-profits tax for corporations that the corporate rates in the World War were much lower than they are now and the income-tax rates were also considerably lower than they are now.

May I observe also that in the committee a motion was made to reduce the specific exemption from $5,000 to $3,000. That motion was made by a Republican. [Applause.]

[Here the gavel fell.]

Mr. COOPER. Mr. Chairman, I ask unanimous consent that, on page 29, line 1, "(3)", where it appears the second time in such line, be stricken out and that there be inserted in lieu thereof "(2)."

This simply corrects a typographical error.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. COOPER. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. COOPER: Page 38, after line 14, insert:

"(g) Domestic corporations satisfying the following conditions:

"(1) If 95 percent or more of the gross income of such domestic corporation for the 3-year period immediately preceding the close of the taxable year (or for such part of such period during which the corporation was in existence) was derived from sources other than sources within the United States; and

"(2) If 50 percent or more of its gross income for such period or such part thereof was derived from the active conduct of a trade or business."

The committee amendment was agreed to.

Mr. DISNEY. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. DISNEY: Page 38, after line 14, insert:

"(h) Any corporation subject to the provisions of title IV of the Civil Aeronautics Act of 1938, in the gross income of which for any taxable year beginning after December 31, 1939, there is includible compensation received from the United States for the transportation of mail by aircraft if, after excluding from its gross income such compensation, its adjusted excess-profits net income for such year is zero or less."

Mr. CROWTHER. Mr. Chairman, I should like to ask the Member of the majority, the gentleman from Oklahoma [Mr. DISNEY], if this is satisfactory to the Treasury and to those who were immediately concerned in this proposition?

Mr. DISNEY. Yes. For the benefit of the members of the Committee, at this time I may say that Mr. Sullivan, a representative of the Treasury; Colonel Gorrell, representing the air lines; and Major Hinckley, representing the Civil Aeronautics Authority, met and agreed on this language, which expresses what the committee was trying to do, although it did not have the language worked out as of yesterday. This is accepted as a committee amendment.

This amendment relates to air lines which transport air mail. Under the present law they are paid by the United States on a scale determined with reference to their earnings from other sources.

It has been brought to the attention of the committee that the air-mail subsidy amounts, when included in gross income, might result in their having an excess-profits net income.

This amendment provides that if, for any year, excluding the subsidy they have no adjusted excess-profits net income they are exempt for that year. If they do, however, have an excess-profits net income excluding the subsidy, then they are subject to the excess-profits tax on their excess-profits net income, including in gross income for this purpose the amount of the subsidy.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. COOPER. Mr. Chairman, there are no further committee amendments.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. O'NEAL, Chairman of the Committee of the Whole House on the state of the Union, reported that the Committee, having had under consideration the bill (H. R. 10413) to provide revenue, and for other purposes, pursuant to House Resolution 583, he reported the same back to the House with sundry amendments adopted in the Committee of the Whole.

The SPEAKER. Under the rule the previous question is ordered.

Is a separate vote demanded on any amendment? [After a pause.] If not, the Chair will put them en gros.

The amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

REPORT FROM COMMITTEE ON RULES

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tomorrow to file a report.

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

There was no objection.

REPORT FROM COMMITTEE ON MILITARY AFFAIRS

Mr. MAY. Mr. Speaker, I ask unanimous consent that the Committee on Military Affairs may have until midnight to file a report on the bill H. R. 10132 and that the minority members may have the same time within which to file their views.

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

There was no objection.

EXTENSION OF REMARKS

Mr. TABER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a table which I have prepared.

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

There was no objection.

Mr. ENGLEBRIGHT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on the Buck amendment pertaining to the present bill on gold mining.

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

There was no objection.

Mr. HINSHAW. Mr. Speaker, I ask unanimous consent that in the revision and extension of my remarks made in the House, I may include two letters.

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

There was no objection.

Mr. IZAC. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD on the bill just passed.

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

There was no objection.

Mr. JARRETT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial from the Oil City Derrick.

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

There was no objection.

Mr. ALEXANDER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD by inserting therein an article on the bills (S. 3350) and (H. R. 10101).

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

There was no objection.

Mr. RABAUT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to place therein a short article from a newspaper.

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

There was no objection.

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a radio speech I delivered on August 13.

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

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. POLK, for 3 days, on account of important business.

To Mr. BOEHNE, for 1 week, on account of important business.

EXTENSION OF REMARKS

Mr. GEYER of California. Mr. Speaker, I ask unanimous consent to extend my own remarks and include certain testimony from the hearings before the Committee on the Judiciary.

The SPEAKER. Is there objection?

There was no objection.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 313. An act to carry out the findings of the Court of Claims in the case of Lester P. Barlow against the United States;

S. 823. An act for the relief of John P. Shorter;

S. 927. An act to confer jurisdiction on the Court of Claims to hear, determine, and render judgment upon the claim of Suncrest Orchards, Inc.; and

S. 4042. An act to provide for the acquisition of flowage rights and the payment of certain damages in connection with the operation of the Fort Hall Indian irrigation project, Idaho.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 3976. An act for the relief of Violet Knowlen, a minor;

H. R. 6061. An act for the relief of Hazel Thomas;

H. R. 6334. An act for the relief of Pearl Waldrep Stubbs; and

H. R. 8605. An act for the relief of Mary Janiec and Ignatz Janiec.

ADJOURNMENT

Mr. RAYBURN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 46 minutes p. m.) the House adjourned until tomorrow, Friday, August 30, 1940, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON IRRIGATION AND RECLAMATION

There will be a meeting of the Committee on Irrigation and Reclamation on Friday, August 30, 1940, at 10 a. m., in room 128, House Office Building, for the purpose of considering H. R. 10122.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

There will be a meeting of the Committee on Public Buildings and Grounds on Friday, August 30, 1940, at 10 a. m., for the consideration of the defense-housing bill, H. R. 10412.

COMMITTEE OF THE POST OFFICE AND POST ROADS

There will be a meeting of the Committee on the Post Office and Post Roads on Friday, August 30, 1940, at 10 a. m., for the purpose of considering all fourth-class postmasters' salary bills.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

There will be a meeting of the Committee on Immigration and Naturalization at 10:30 a. m., on Wednesday, September 4, 1940, for the consideration of Senate bill 3248, regarding the pay of immigration inspectors for overtime.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

The Committee on Merchant Marine and Fisheries will hold a public hearing on Thursday, September 5, 1940, at 10 a. m., on the following bill: H. R. 10380, a bill to expedite national defense by suspending, during the national emergency, provisions of law that prohibit more than 8 hours' labor in any 1 day of persons engaged upon work covered by contracts of the United States Maritime Commission, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1927. A letter from the Acting Secretary of Agriculture, transmitting a copy of a proposed amendment to the act of January 31, 1925 (43 Stat. 803; 5 U. S. C., sec. 521), which provides for the administration of oaths, affirmations, or affidavits for use in any prosecution of proceeding in the enforcement of any law committed to this Department; to the Committee on the Judiciary.

1928. A letter from the Chairman, Railroad Retirement Board, transmitting copy of the recommendations of the Railroad Retirement Board based on the actuarial valuation, as of December 31, 1938, of the assets and liabilities under the railroad retirement acts, with the report of the Board's actuary and statement of approval of the actuarial advisory committee; to the Committee on Interstate and Foreign Commerce.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. LESINSKI: Committee on Immigration and Naturalization. H. R. 10253. A bill for the relief of Eugene Gruen and his wife, Kate; with amendment (Rept. No. 2902). Referred to the Committee of the Whole House.

Mr. MAY: Committee on Military Affairs. H. R. 10132. A bill to protect the integrity and institutions of the United States through a system of selective compulsory military training and service; with amendment (Rept. No. 2903). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ELSTON:

H. R. 10428. A bill to provide Federal police protection for any Presidential nominee; to the Committee on the Judiciary.

By Mr. RANDOLPH:

H. R. 10429. A bill to authorize the Pennsylvania Railroad Co., by means of an underpass, to cross New York Avenue NE., to extend, construct, maintain, and operate certain industrial side tracks, and for other purposes; to the Committee on the District of Columbia.

By Mr. VOORHIS of California:

H. R. 10430. A bill to provide a balanced program of national defense, to offer opportunity for constructive service to the Nation by its citizens, and to create a national service

and training program in the United States; to the Committee on Military Affairs.

By Mr. WHELCHEL:

H. R. 10431. A bill to provide forms and penalty envelopes for the return of certain reports required to be made to the Secretary of Agriculture; to provide compensation for the making of such reports; and for other purposes; to the Committee on Agriculture.

By Mr. BLAND:

H. J. Res. 596. Joint resolution to authorize Commander Howard L. Vickery to hold the office of a member of the United States Maritime Commission; to the Committee on Merchant Marine and Fisheries.

By Mr. PLUMLEY:

H. J. Res. 597. Joint resolution authorizing the participation of the United States in the celebration of a Pan American Aviation Day, to be observed on December 17, of each year, the anniversary of the first successful flight of a heavier-than-air machine; to the Committee on the Judiciary.

By Mr. MARCANTONIO:

H. J. Res. 598. Joint resolution providing for the repeal of Public, No. 670, Seventy-sixth Congress (ch. 439, 3d sess.); to the Committee on the Judiciary.

By Mr. ROBERTSON:

H. J. Res. 599. Joint resolution to amend section 13 (a) of the Fair Labor Standards Act of 1938; to the Committee on Labor.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. BLOOM:

H. R. 10432. A bill for the relief of Mor (Morris) Honig, his wife Franciska (Francesca), and their sons Vilmos (William) and Pal (Paul); to the Committee on Immigration and Naturalization.

By Mr. HOOK:

H. R. 10433. A bill for the relief of Basil Paul Vagin; to the Committee on Immigration and Naturalization.

By Mr. KELLER:

H. R. 10434. A bill for the relief of Arthur Smith; to the Committee on Military Affairs.

H. R. 10435. A bill granting an increase of pension to Elizabeth Knaus; to the Committee on Invalid Pensions.

H. R. 10436. A bill to record the lawful admission for permanent residence of Erik Uno Johansson; to the Committee on Immigration and Naturalization.

H. R. 10437. A bill to record the lawful admission for permanent residence of Olga Gutwirth; to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

9246. By Mr. FULMER: Resolution submitted by W. H. Buford, commander, and W. H. Pettigrew, adjutant, North Augusta Post, No. 71, the American Legion, North Augusta, S. C., endorsing the conscription bill, and giving immediate aid to Great Britain; to the Committee on Military Affairs.

9247. By Mr. GREGORY: Petition of J. W. F. Williams and others, of La Fayette, Ky., requesting material aid for Great Britain; to the Committee on Military Affairs.

9248. By Mr. LYNCH: Resolution of Local Union, No. 488, United Brotherhood of Carpenters and Joiners of America, Bronx, N. Y., urging that the prevailing rate of wages and hours, as provided for under the laws of the State of New York and the United States Government, shall become a part of each and every contract or appropriation let or given by the United States Government for defense purposes; to the Committee on Military Affairs.

9249. Also, resolution of United Automobile Workers of America, Local 259, New York, N. Y., opposing the Burke-Wadsworth bill; to the Committee on Military Affairs.

SENATE

FRIDAY, AUGUST 30, 1940

(Legislative day of Monday, August 5, 1940)

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

Rev. Duncan Fraser, assistant rector, Church of the Epiphany, Washington, D. C., offered the following prayer:

O Lord, our Heavenly Father, Almighty and Everlasting God, who hast safely brought us to the beginning of this day: Defend us in the same with Thy mighty power, and grant that this day we fall into no sin, neither run into any kind of danger; but that all our doings, being ordered by Thy governance, may be righteous in Thy sight. Through 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 of Thursday, August 29, 1940, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

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

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

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

Adams	Connally	Johnson, Colo.	Shipstead
Andrews	Danaher	Lee	Slattery
Ashurst	Donahey	Lucas	Smith
Austin	Downey	Lundeen	Stewart
Bailey	Ellender	McKellar	Thomas, Idaho
Bankhead	George	Mead	Thomas, Okla.
Barkley	Gerry	Miller	Thomas, Utah
Bone	Gibson	Minton	Townsend
Bridges	Glass	Murray	Truman
Bulow	Green	Overton	Tydings
Burke	Guffey	Pepper	Vandenberg
Byrd	Gurney	Pittman	Van Nuys
Byrnes	Harrison	Radcliffe	Wagner
Capper	Hatch	Reed	Wheeler
Caraway	Hayden	Reynolds	White
Chandler	Herring	Russell	Wiley
Chavez	Hill	Schwartz	
Clark, Idaho	Holt	Schwellenbach	
Clark, Mo.	Johnson, Calif.	Sheppard	

Mr. MINTON. I announce that the Senator from Mississippi [Mr. BILBO], the Senator from Michigan [Mr. BROWN], the Senator from Iowa [Mr. GILLETTE], the Senator from Delaware [Mr. HUGHES], the Senator from Utah [Mr. KING], the Senator from Connecticut [Mr. MALONEY], the Senator from Nevada [Mr. McCARRAN], the Senator from West Virginia [Mr. NEELY], the Senator from Wyoming [Mr. O'MAHONEY], the Senator from New Jersey [Mr. SMATHERS], and the Senator from Massachusetts [Mr. WALSH] are necessarily absent.

Mr. AUSTIN. The Senator from Oregon [Mr. HOLMAN] is absent on public business.

The Senator from New Jersey [Mr. BARBOUR] is attending the funeral of Mr. Seger, late a Member of Congress from the State of New Jersey.

The following Senators are unavoidably absent:

The Senator from Oregon [Mr. McNARY], the Senator from Pennsylvania [Mr. DAVIS], the Senator from North Dakota [Mr. FRAZIER], the Senator from Maine [Mr. HALE], the Senator from Massachusetts [Mr. LODGE], the Senator from Nebraska [Mr. NORRIS], the Senator from North Dakota [Mr. NYE], and the Senator from Ohio [Mr. TAFT].

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 10263) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1941, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon,